



SANFORD



TOGETHER

SANFORD
INTEGRATED REPORT 2019







SANFORD

Ropes deftly plaited, though a skill as old as fishing itself, remains integral to the game-changing innovation that is Precision Seafood Harvesting, now approved for commercial fishing use on deepwater and inshore vessels.

The plaits' important place in the next generation of fishing technology serves as a powerful analogy of what it takes to bring us closer to our goal to be the best seafood company in the world.

The plaits, knots and splices that are so skilfully performed by so many of our people, especially those on our vessels and farms, enable multiple strands to be brought together to create an efficient, reliable and effective whole. It is not surprising we see it as a good way of describing how we work.

Our job is simple really: seafood in all its forms starts out pretty perfect, all we have to do, on the sea, on the land and out in the market, is to get that perfection to a plate.

To do that, we work together – one team from sea to shore to sales – using skills, science, intellect and intuition to create a seamless whole. It's a big ambition to be the best seafood company in the world.

But we can get there – **TOGETHER.**

Volker Kuntzsch

CEO, SANFORD LIMITED

STRONGER
TOGETHER

PHOTO: Vanessa
Wilkinson in Coromandel

A woman wearing a blue hard hat and a high-visibility yellow safety jacket is smiling. She is holding a mussel shell in her hand. The background is a blurred industrial or construction site.

PEOPLE

CARE

At Sanford, we value caring for the wellbeing of ourselves, the team around us, our customers and consumers, key stakeholders and the communities we work in. Crucially, we care for the environment we are privileged to work in.

PASSION

We are passionate about our relationships with our people, customers, consumers, resources, country and future. Our passion extends to protecting our oceans, caring for the environment and having successful partnerships.

INTEGRITY

We strive to live our values every day in everything we do. This means having straight up conversations, delivering on the expectations of our key stakeholders and being respectful, honest, open and transparent, as we work to always do the right thing.

ACHIEVING TOGETHER



OCEANS



— ABOUT THIS REPORT —

TOGETHER is the theme for our 2019 annual report. It's an economical word for the many things we do across Sanford for the creation and sharing of value with our investors, our people, our customers and consumers, as well as the communities in which we live and work. We're proud to share some examples in this document which have contributed to our performance this year.

Together sums up our philosophy that we will always be stronger as a team, on sea, on land, in our markets and in our local neighbourhoods.

It speaks to the care and attention we all pay to the seafood we farm and fish, because it takes a chain of skilled hands across many disciplines to preserve the perfection of our catch.

It's the way we work with our stakeholders, especially in regional communities where many people want to be confident that we are respecting them and the environment, as we go about our business.

It is a good description of our relationship with the many research scientists who share our view that we have wide horizons ahead when it comes to nutritional benefits of seafood and its role in supporting health. Working together, we are unlocking that potential.

Together reflects our need to work with nature, respecting the cycles of the climate and the sea, the conditions that our farmed and wildcaught harvests need and our responsibility to act sustainably.

It also recognises that we are far from the only people with a stake in the sea. Others care for it and rely on its goodness as much as we do, so we need to collaborate when important decisions must be made.

Our vision to be the best seafood company in the world can only be realised when we are the preferred and trusted supplier of sustainable seafood to our local and global customers and consumers.

"Best" is a high benchmark, and we are finding together is a good place to start. The more we talk to our consumers, and understand their needs, the more we find opportunities to work even closer together, creating value for everyone and opportunities to create even more.

Care, passion and integrity have been our core values for several years. Achieving together has recently been added as an overarching principle. We hope this report will show you some of the ways we have been doing that in 2019.

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QR codes appear throughout this Report. Use these to access relevant video and other content by opening the camera function on your smart phone and hovering over the code. Select the web page that appears on the phone's screen. Some phones will require users to download a QR reader app to enable this function.

T G E T H E R

CHAIRMAN AND CEO REVIEW

Paul Norling

CHAIRMAN

Volker Kuntzsch

CHIEF EXECUTIVE OFFICER

WHY SANFORD? It is a question we hear often – from prospective employees, investors and other stakeholders alike. One where the answer is critical in their decision making. But it is also one that our children and grandchildren contemplate around the dinner table as they consider the future world where our environment, food and communities face unprecedented change at a speed yet unfathomable to most of us. It is critical that we get the answer right.

In a world that is increasingly complex and connected in ways we are still trying to comprehend, it seems even more important that we come together to understand, grow and invest in ways that provide stability and prosperity into the future. It is difficult to read headlines without feeling a sense of fear, anxiety or frustration and it is therefore imperative that Sanford's dependence on natural resources and our ability to deal with increasing volatility takes centre stage as we move forward.

As Chairman and CEO of this company, we are very positive about the journey we are on. With care, passion and integrity and with the courage to move beyond the traditional mindset in our industry, we are – together with our stakeholders – focused on the ambitious outcomes of our business excellence framework. This focus appears to have created an environment of trust in us being able to accomplish our vision by adjusting well and innovatively to the changing nature of the challenges and opportunities that are certainly abundant in our line of work.

The financial year gone by has tested our resilience: Steffan Stewart's fatal accident on the San Granit early in the year had a significant impact on all of us at Sanford. Also, the diverse consequences of climate change across our fishing, salmon and mussel farming businesses and the limited availability of skilled and motivated labour in small communities are amongst an array of challenges that necessitate greater innovation and an ever growing focus on people and our role as businesses in society.

The result of our team's enthusiasm in realising Sanford's vision has borne fruit. We are very happy with the outcome of our latest companywide engagement survey, which resulted in the participation of 62% of our workforce and an engagement score of 72%, a significant improvement on prior years' surveys. Our teams around the country have largely embraced our strong focus on the values of passion, care and integrity in achieving together the shift from a volume and commodity dependency to emphasising the intrinsic value of our finite marine resources.



PHOTO: Sanford Chairman Paul Norling (left) and CEO Volker Kuntzsch

OUR FY19 FINANCIAL RESULTS

The company's Net Profit after Tax (or Statutory Profit) was \$41.7 million compared to our FY18 result of \$42.3 million.

Underlying or Adjusted Earnings before Interest and Tax (EBIT) for FY19 at \$64.8 million is comparable to our FY18 of \$64.7 million, which is somewhat disappointing as it again did not meet our expectations for the year.

Like for like* sales revenue, however, was \$558 million (+8% on PY) from sales volume of 115,000 green weight tonnes, which was 5% down compared with prior year, primarily due to reduced catches in our fishing business.

Gross Margin (on a like for like basis) improved by \$6.3 million with favourable sales pricing, product mix and sales channel optimisation more than offsetting cost pressures such as higher labour and fuel costs. As we continue investing into improving organisational capabilities, additional operating expenses kept overall profitability flat compared to prior year.

While the overall profit result for the company is as noted, we believe that the

major components of the business performed reasonably well when compared with FY18. This is more so considering some of the headwinds encountered during the year, which – amongst others – resulted in volume shortfalls and operational inefficiencies as a result of that.

Our balance sheet has strengthened with year-end debt down by \$16 million to \$139 million. This increase in debt headroom is pleasing and will be utilised for capital investment to advance the business across a number of fronts.

A full summary of our financial results can be found under the CFO Review on page 12.

BUILDING CAPABILITY AND RESILIENCE

As shareholders are aware, Sanford is in the midst of a major transition from essentially being a fishing company selling commodities via wholesale intermediaries to a producer and marketer of premium high quality seafood and high value items to discerning customers and consumers. This shift is substantial and has major change management challenges right across the company as we develop and implement a high value branding and sales channel

strategy. Beyond the need for some significant operational and capital expenditure, our value-add strategy impacts on our assets, the kind of products we produce, our company culture and the people we deal with, not least our customers. To this end we have progressively made and will need to continue to make significant investments in building our people resources and capabilities to steer and realise this transition.

Beyond this operational expense, we have also been investing heavily into innovation where results look very promising particularly on the supply side, which we discuss in more detail in the following sections.

At the same time, our aging fleet has not been operating at an optimal level, which we are addressing now. Coinciding with this operational headwind we are feeling the effects of climate change that present a different set of management challenges.

Improved information flow and the need for better decision making at a faster pace are the objectives of our SanCore project, a significant investment over the next two years into IT systems and processes. The

* Like for like views revenue (and gross profit) comparable to 2018 without implementing the new revenue accounting standard (NZ IFRS 15).



project team has identified our shortcomings and the future state Sanford requires to reach these objectives across the organisation and we are now working with potential vendors in developing and implementing modern and user-friendly solutions.

The underlying performance of our business units highlights the appropriateness of our strategy, both in terms of creating value and in mitigating climate change related risks. The diversity of our business presents ample opportunity in this regard, but we will highlight expected risk from climate change on our business and our response in more detail going forward.

The growing strategic alignment of our business with changing customer expectations, consumer preferences and environmental risks and opportunities, provides us with a good reason when being asked ‘Why invest in Sanford?’ or ‘Why work for Sanford?’, with the following sections providing more detail on our positive view.

The Board and management team appreciate that shareholders understand the path we are on and are very conscious of your patience as we progress this transition with our dividend level being maintained rather than increasing in the meantime. The work necessary to realise our strategy across the organisation while mitigating new environmental challenges being a much larger undertaking than we had expected previously.

AN ENCOURAGING YEAR FOR GREENSHELL MUSSELS

While algal blooms don’t harm our Greenshell mussels, the presence of algae do render the species unsuitable for human consumption at the time and this may interrupt harvesting and processing for several months. Algal blooms will likely become a more common occurrence in the Marlborough Sounds and our risk mitigation in this area centres on geographic diversity to enable continuous harvesting for our plants in Havelock and Tauranga (NIIML). We received valuable new water space in Golden Bay this year and have already started the development of this area to add another sourcing alternative.

Prioritising Science and Diversification

The positive performance of our mussel business was driven by a variety of factors. Harvest volumes exceeded expectations and attractive pricing of regular items like frozen halfshell mussels helped the improvement on last year. However, we are also starting to reap the benefits of our product diversification into mussel powder. In addition to our bulk powder business, which is primarily aimed at the lucrative pet food industry, the ‘Sea to Me’ brand had been launched successfully. This is our first foray into nutraceuticals, but due to the limited product range, sales volumes are still very small. With the recent approval of investments exceeding \$20m into a marine extracts facility, we will capitalise on the considerable value adding potential of nutraceuticals and expand the range, bringing current third party innovation, processing and packing in-house. The facility will be built in Blenheim over the course of 2020 and production, which will include fish oils and collagen for human consumption, will commence from 2021.

In collaboration with the Cawthron Institute we are currently undertaking clinical testing as part of the High Value Nutrition National Science Challenge to enable the use of health claims on Greenshell mussels. The benefits of this healthy protein are still undervalued, both as food and as powder or oil.

Our Nelson based Greenshell mussel research company Shellfish Production & Technology NZ Ltd (SPATnz) recently released the phenomenal results of its multi-year breeding programme developed in partnership with the Ministry for Primary Industries and the Cawthron Institute, an independent science organisation. The results bode well for Sanford and the wider

industry and we are very optimistic about the future volume and value growth prospects. Please see this report’s chapter on innovation for more detail.

GAINING TRACTION WITH KING SALMON

Following on from a good year in 2018, when updated stock in water value strongly supported the result of our salmon business unit, this year was marked by a mixed bag of challenges and successes. Water temperatures in Big Glory Bay, the site of our salmon farms in Stewart Island, reached highs over 17°C, which, in conjunction with an algal bloom, unfortunately led to mortalities of 5% of our salmon. However, with the insights gained during an international research trip by our salmon farming experts and with subsequent changes including innovative farming adjustments, we are confident that we can contain the impact of warming oceans on our farm for the foreseeable future. In addition to this we have put an algae mitigation strategy in place to avoid similar levels of mortality as we experienced this year.

Good news was received when our application for a resource consent variation in Big Glory Bay was accepted on the basis of updated scientific modelling, allowing us to increase the volume of salmon we can farm in Big Glory Bay by over 30%, which will occur over the next three years. The team delivering this outcome, did an outstanding job in preparing the case, ensuring in-depth understanding of all variables and their impact on the Bay and its environmental uniqueness. We focused on including the Stewart Island community to foster understanding around the viability of salmon farming in their part of the world and we thank the local community for their vision and support.

Value from Branding and Operational Efficiencies

Financially, the salmon business unit improved significantly from prior year. Notwithstanding higher mortalities, harvest volumes improved through better growth in the second half of the year to reach just over 4000mt for FY19. As a result of generally higher prices for all salmon species internationally and the continuing implementation of our very targeted sales channel strategy, we achieved very attractive prices across all markets. The ‘Big Glory Bay’ brand for Sanford’s top quality product continued its growth

in the high end foodservice sector in New Zealand, the US and Hong Kong. The volume sold under this brand is still under 5% of total, but with improving consistency in supply we are targeting this share to exceed 10% in 2020.

In order to gain operational efficiencies and prepare our processing facility in Bluff for future development, we created a centre of excellence for salmon and relocated whitefish processing to Timaru. The build of a new salmon farm barge that houses the salmon feed and the living quarters for our team on the water in Big Glory Bay is underway and new pens will soon be installed. Planning for a new hatchery in Southland is underway, where we intend to grow our smolt to a larger size, before transferring them to our farm. This should improve their resilience and help limit environmental impacts.

FISHING: BUILDING MOMENTUM IN A CHALLENGING ENVIRONMENT

While Greenshell mussels are Sanford’s single biggest species in volume terms and King salmon’s contribution to the overall profitability of the company far outweighs the size of this business unit, our fishing business remains the major cornerstone of Sanford, making up circa two thirds of total volume. Our activities in this regard span inshore – and offshore fishing with fleets ranging from small trawlers to large freezer vessels. In addition, our longliners spend months in the Ross Sea in Antarctica and the waters of South Georgia to fish for toothfish. This diversity makes Sanford one of the most unique seafood operations globally, which certainly provides for a delicate mix of opportunities and challenges while, at the same time, producing an unparalleled choice of species for our customers and consumers.

This business was impacted this year by the three-month outage of our largest fishing vessel, the San Granit, following Steffan’s fatality. The scheduled ten-week re-fit of San Enterprise, another one of our large freezer vessels, impacted on year-on-year catch capacity as well. Also, the sale of our pelagic assets in Tauranga, which included 15,000mt of quota, meant reduced volume available to absorb the overhead investment into the company over the last years to improve our organisational capabilities. While some of the cost overhang will be eliminated through efficiency improvements, the remainder will be compensated through the increased returns from our branding and channel

strategies and the further investment we are making in the reliability and efficiency of our catching fleet.

In spite of the setbacks, the Deepwater business unit performed relatively well and we are also seeing a continuous increase in the return per kg fish caught. One of the major contributors to this trend is a greater focus on producing higher value items and a good example in this regard is the shift from hoki fillet blocks for further processing to hoki fillets for immediate consumption. This has not only delivered a better product, but also a significantly improved contribution to the bottom line. Excellent catches of squid, accompanied by high prices for this species globally, and a very satisfactory toothfish season, in this case with somewhat reduced sales prices internationally, helped our offshore fishing business to a respectable turnaround over the latter part of the year. Our Korean fishing partners, Dong Won New Zealand and Jaico, complemented our fishing capacity and capability with their vessels. Their support in fishing species we would otherwise not utilise effectively leads to growing value gains as the demand for seafood protein grows.

The greatest challenge for our Deepwater team is the crewing of their vessels in a consistent and reliable manner. High people turnover, especially at entry level, and the limited availability of motivated and ambitious sharefishers, creates a demanding environment for our management team in Timaru, where the

Deepwater fleet is based. There is currently a concerted effort with our People team to rectify this issue. We have made some good progress with our employment arrangements across our processing sites around the country and would expect to deliver in due course a similar outcome for all those working on our vessels as well.

Our inshore fishing business, where the focus is on selling the fish fresh, i.e. never frozen, has lived up to our expectations of delivering high quality New Zealand seafood. This can be evidenced by the presentation of a vast array of species at our Auckland Fish Market, which has been refurbished and officially opened earlier this calendar year to highlight the premium quality of our seafood. We are grateful to the many stakeholders that help us offer a wonderful portfolio of product at the market and to the restaurateurs who have created a delightful environment for customers and visitors.

While our fishermen caught our annual catch entitlement for all valuable inshore species, we did decide this year to refrain from catching hoki with our inshore fleet, as we can create more value for the species on our freezer vessels. We also moved our South Island based vessel, the Ikawai, which traditionally targeted barracouta, to the North Island to enhance our fishing capacity there with higher value species. For quality reasons inherent to barracouta the markets for this species have dwindled over time, leaving us no choice but to deploy our catch effort elsewhere.

PHOTO: Tyler Bryan at work on the Ikawai





PHOTO: Ariel Tehei-Lewis in Coromandel



Our latest engagement survey indicates very high awareness of our focus on safety and health around the business, with the outcome at 85% being well above international benchmark.

Innovation and Investment in Fishing

The product cascade change on our large freezer vessels and the quality improvement across our inshore fleet is greatly helped by the rollout of the precision seafood harvesting fishing method (PSH) across most of our operations. This PGP project between Sanford, Sealord, Moana, Plant & Food Research and Fisheries New Zealand has very successfully completed its 7-year development period to identify a fishing method that would be a game changer. The objective of delivering significantly improved product through careful handling of our marine resources, while facilitating the opportunity to return unwanted fish to the sea alive and healthy has certainly been met. The all-up total cost of the project amounted to \$43 million and the outcome is outstanding. Our crews at sea as well as our customers, some of whom are now demanding ‘fish caught the PSH way’, are excited by the superior quality of the product they receive. Following a presentation at the International Groundfish Forum in Berlin in October 2019 several fishing companies from around the world have voiced their strong interest in our invention. The commercialisation of the project is currently being considered.

We have previously highlighted the need for rejuvenation of our aging fleet. Over the last few years we have encouraged increasing numbers of private fishermen to work with us in our inshore operations and complement our own fishing capacity. We

retired a few vessels for reasons ranging from safety to product quality and efficiency considerations and are proceeding with plans for investment into replacement vessels.

Our offshore fleet will be upgraded through investment into three new scampi vessels, which are being designed to replace our aging vessels in this fishery over the next two years. The specification for our new scampi vessels aims to improve operational efficiency, reduce environmental impact, enable consistent product quality and provide a safe and attractive working and living environment for our crews, especially in the light of more frequent bad weather events.

While there is a lot going on in our overall fishing business it is still a considerable work in progress to deliver returns that achieve and ultimately exceed its weighted average cost of capital (WACC). This is a focus area for management.

THE SAFETY OF OUR PEOPLE

Leading with safety is a priority at Sanford and losing Steffan Stewart in a tragic accident on board the San Granit in November had a significant personal impact on us all. While extensive work had been undertaken on the vessel to reflect regulatory and internal safety requirements prior to launch in NZ, we removed the vessel from the fleet for three months to undertake further highly detailed risk analysis of all factory equipment and processes after the accident. We have continued to invest in safety and our people and believe we are in the process of setting new industry standards for factories on board vessels.

Our latest engagement survey indicates very high awareness of our focus on safety and health around the business, with the outcome at 85% being well above international benchmark. The introduction of a safety management system that has a clear focus on risk management and covers strategic initiatives ranging from the introduction of a ‘just culture’ leadership approach to the promotion of safety, health and wellbeing awareness throughout the company supported this improvement. Within a ‘just culture’ incidents are foremost investigated on the basis of circumstantial challenges leading to accidents, e.g. time pressure, insufficient training or other human or environmental factors. Serious harm incidents are usually

not the result of reckless behaviour or malicious intent and we encourage our employees to speak up in situations that feel unsafe. Above mentioned score also highlights the belief across the company that we are all taking the safety of our people very seriously.

The heightened safety consciousness around the company has resulted in increased reporting of near misses compared to prior year (+36.6%). Following a 21% and 6% reduction in total injuries and incidents in FY17 and FY18 respectively, this number has remained static at around 970 in FY19, with the majority of these being sprains and strains, which increased year on year. Our focus on reducing the risk of lacerations and stings through fish bones, spikes and knife handling has reduced injuries in this category by 22%.

We provide more detail on this important topic in the chapter ‘Creating a Safe and High Performing Workplace’ later in this report.

MAKING A DIFFERENCE TOGETHER

We will continue to invest into organisational capability to optimise the implementation of our strategy, especially in terms of customer interaction, innovation and business development. Our objective of providing a safe and stimulating working environment means more roles will need to be created in the People function of the company.

We have adjusted the six outcomes in our business excellence framework to better reflect our strategic direction. Two outcomes have been merged into a single environmental pillar, ‘Enabling Healthy Oceans and Protecting the Environment’, and a new outcome representing our focus on consumers and the need to understand the fast evolving nature of their expectations and preferences, i.e. ‘Delivering Consumers’ Expectations’ has been added.

We can only be successful in achieving the targets we have set ourselves for the six outcomes by collaborating with relevant stakeholders. Examples of this include our work with WWF and Moana NZ to protect Maui dolphin in New Zealand’s waters. As part of the public consultation of Fisheries New Zealand’s and the Department of Conservation’s Threat Management Plan, we submitted Option 5 that connected the need to protect these very vulnerable dolphins with the need to also protect

the livelihoods of fishers and the need to step-up research into other threats to dolphins.

Our interaction with the Stewart Island community to ensure better understanding of our salmon farming activity in Big Glory Bay followed our principle of providing utmost transparency and eliminating any doubt in us doing the right thing.

Our support of Paralympics New Zealand and the Graeme Dingle Foundation stretches well beyond a financial company commitment as we are seeing increasing engagement of colleagues in furthering the good causes of, for example, Kiwi Can.

A SENSE OF URGENCY

We have committed ourselves to targets that highlight our belief that the consequences of climate change and the dawn of a generation of consumers with far wider expectations of companies like Sanford are significant. Please see the targets set out in each chapter of this report for more detail.

We choose to measure ourselves against outcomes with timelines we will live to witness. Progress at Sanford may have appeared overwhelming or courageous to some over the last few years, much of this had to do with the need to build a solid foundation, realise a cultural shift and build our social license to operate. The future will not be less exciting: from here on we will be more nimble and able to accommodate challenges as opportunities to innovate and improve.

New Zealand remains at the forefront of sustainable fisheries management globally and Fisheries New Zealand's recent announcement of an ambitious aquaculture strategy for our country was very encouraging as it clearly highlights the potential of this industry. However, against this background and the opportunity we have to lead by example in managing our oceans in the light of the numerous challenges facing us, we do need to ensure increased agility and urgency at regulator level. We will certainly play our part in bringing about a greater commitment to ensuring the sustainable future of our marine environment, ideally with all relevant stakeholders, including the recreational fishing sector and environmental NGOs.

The heightened awareness of animal protein production's impact on the environment, ever increasing health consciousness,

expectations for total transparency in supply chains and a general need for companies like Sanford to live up to societal expectations, ensures our agenda remains an interesting one. We believe that our company has proven its resilience and are very motivated to continue our journey to becoming the best seafood company in the world.

DIVIDEND

Because of the continuing and substantial investment needs (both capital and operational expenditure) which is required from both our transition as well as asset rejuvenation perspective, your Board has determined that the dividend should remain at 23 cents per share. The final dividend of 14 cents per share will be paid on December 6th, 2019.

CEO ACKNOWLEDGEMENTS

At the end of a year that proved to be an emotional rollercoaster for many, yet delivered successfully on many fronts, we wholeheartedly thank the team for their hard work and dedication to Sanford. Onwards!

As CEO, I would like to thank my Executive Team for their tireless support in turning Sanford into a formidable business. I also thank the Board for their guidance in sometimes testing circumstances. My sincere appreciation to our Chairman, Paul Norling, for his support of our vision for the company and his ability to lure me out of my comfort zone on numerous occasions over the last 5 years. That has certainly stretched our visionary considerations beyond business as usual.

BOARD AND CHAIRMAN ACKNOWLEDGEMENTS

It has been another very busy and, at times, challenging year for the company, our management team and the Board.

Our thanks to Volker and his management team for their continuing dedicated work in progressing what is a major transition journey for the company – in addition to the operational and nature's challenges that occur in the seafood sector.

My thanks also to my Board colleagues for their application and advice in addressing the many important governance matters that have come before us. This particularly includes the Chairs of our Board sub-committees who perform a vitally important role in our oversight functions.



It has been a privilege to serve in both capacities in what, to my mind, is an iconic New Zealand company with a great history and even more importantly a future which has many opportunities of great potential from its very strong foundation today.

Two members of the Board come up for shareholder approval at this year's AGM – Peter Kean who joined the Board in 2014 for re-election and Peter Cullinane who was appointed by the Board in February of this year and is required to have his appointment confirmed by shareholders as required by the NZX Listing Rules. Both have the Board's strong support for their re-election.

In conclusion, this is my final Annual General Meeting as I will be retiring both as Chairman and as a board member following this meeting. It has been a privilege to serve in both capacities in what, to my mind, is an iconic New Zealand company with a great history and even more importantly a future which has many opportunities of great potential from its very strong foundation today. My best wishes to my successor Sir Rob McLeod as your new Chairman, the Board as a whole and to the management team - all of whom will steer the company going forward and successfully navigate and capitalise on the future for our shareholders and all stakeholders.

Paul Norling
CHAIRMAN
13 November 2019

Volker Kuntzsch
CEO
13 November 2019



PHOTO: Sanford CFO Katherine Turner

CFO REVIEW

With higher returns achieved on lower overall sales volumes, Sanford's performance for the year ended 30 September 2019 has validated our value-focused strategy and its aim to lift earnings on every green weight kilo caught or harvested and sold.

We moved marginally closer towards our goal of \$1 profit (EBIT) per kilogram (GW kg) with our 2019 number at 56 cents, a 2 cent gain on the prior year's 54 cents.

This was achieved despite a difficult start to the season, with our deep water vessel, *San Granit* out of action from mid-November to February, followed by algal blooms in the Marlborough sounds from March through to August and an algal bloom in Stewart Island during the second quarter. All these factors slowed our planned progress in both our fishing and aquaculture businesses. Without these factors, we estimate that we could have achieved an average EBIT/GW kg of 60 cents. However, adversity builds resilience and sustainability and we are confident that what we have learned and the adaptations we are making as a result will stand us in good stead for both the 2020 year and the future.

The tragic loss of crew member Steffan Stewart on board *San Granit* occurred on 14 November 2018. This report is published around the anniversary of his death and our thoughts remain with his family, friends, crew and all who were affected.

2019 KEY FIGURES

Financially we ended the year with much the same profit result as last year with adjusted (underlying) Earnings before Interest and Tax (EBIT) of \$64.8 million compared to \$64.7 million. Our Net Profit After Tax (NPAT) was \$41.7 million compared to last year's \$42.3 million and our Earnings per Share was 44.6c versus last year's 45.2 cents.

Reported Sales revenue for the year was \$545 million. On a like for like accounting basis with last year's revenue, sales revenue was \$558 million, up 8% on last year's result of \$515 million. During the year, we adopted a change in our accounting policy on revenue recognition (refer note 2 of the financial statements) which has resulted in some revenue transferring to offset distribution expenses, with a nil impact on profit.

Lower sales volumes of 115,000 GW tonne, down 5% on last year due to our lower catch volumes, impacted our usual ability to absorb both land and sea based fixed processing costs. However, with our drive to improve quality and convert more volume into higher value products, our strong relationships with our fishing partners, our brand, market and channel diversification strategies, coupled with strong demand driving favourable pricing, we were able to more than offset increasing cost pressures such as higher labour and fuel costs. Gross margin (on a like for like basis) improved by \$6.3 million but fell as a percentage of sales by 0.6% from last year's 22.1%.

Operating expenses were \$4.9 million higher than last year. As previously signalled, this reflects required investment in our people, training, research and development, information technology and systems and marketing to continue to build the capability to enable Sanford to capitalise effectively and sustainably on the many opportunities within our grasp.

This year's result also included a net gain on sale of \$5.1 million for our pelagic quota and assets whereas last year's result included a \$6.8 million net pre-tax benefit of the Havelock earthquake insurance settlement.

Cash flow

Our operating cash flow of \$48.7 million was lower than the \$72.4 million last year due to the timing of tax payments, a return to normal working capital levels from 2018 where low fourth quarter mussel sales due to the Havelock plant closure for

earthquake repairs reduced receivables, and a \$10 million one-off insurance receipt in 2018 for the Havelock site.

We spent \$38.3 million on capital and, noting our previously stated intention to invest \$120 million over 2019 and 2020, the cash flow spend in relation to the growth and asset rejuvenation investments we have underway is expected to ramp up significantly in 2020.

Net proceeds of \$24.3 million from the sale of our pelagic business, coupled with \$9 million for the sale of our investment in the China-based processing plant, Weihai Dong Won Food Co. Ltd, led to a lowering of the overall group secured borrowings from \$155 million in 2018 to \$139 million this year. This positively impacted the gearing ratio, improving it from 27% to 24%, and strengthened our balance sheet in advance of outgoing investing activities cash flows related to our capital investment programme.

GREENSHELL MUSSELS FINANCIAL OVERVIEW

Sales Volume (GWT)	+3%
Revenue	+13%
Profit contribution	+69%

Despite the algal bloom experienced in Marlborough affecting harvest timing, harvested volumes at 29.4k GW tonne, were up 9% on last year.

Sales revenue grew 13% as we moved more product away from raw sales into half shell production and took full advantage of the strong half shell pricing, realigned our sales channel from the US to Asia where demand is higher and grew our powder operations by a further 40%.

Our mussel operations in Havelock continued to benefit from the selective breeding programme operation by our Nelson-based SPATnz team with the shorter growth cycle and the uniformity of the product increasing throughput for our automatic mussel openers. However, for our Coromandel operations and Tauranga plant, farming and operational efficiency was unfavourably impacted as we experienced snapper strike on mussel spat and higher bio-fouling from warmer waters.

Overall, despite the climate related challenges, the mussel business profitability rebounded strongly from last year's challenges, back to 2017 levels and with the current condition of the crop in the water and with the diversification of product and channels, the outlook for 2020 is positive.

KING SALMON FINANCIAL OVERVIEW

Sales Volume (GWT)	+16%
Revenue	+23%
Profit contribution (excluding prior year one off stock in water adjustment)	+62%

Harvested salmon volumes at 4,000 GW tonne, were up 15% on last year. Our salmon farms recovered from the algal bloom in Big Glory Bay experienced in the second quarter of this year, with the fish rapidly gaining in weight and condition. The ability of some fish to flourish in post bloom conditions is being investigated in our breeding programme as a longer-term mitigation against climate change risks.

Albeit delayed by algal bloom, the recovery of the biomass, along with the overall weight and quality of the fish, has supported good progress in our Big Glory Bay brand rollout to prime locations in the US.

Sales volumes also increased by 16% and sales revenue grew 23%. Higher feed costs year on year are attributable to a higher biomass in the water. Last year's salmon result included an \$8 million one-off gain in the value of the salmon biomass in the water. As a result, year on year profit performance appears flat. However, normalising for last year's one-off stock adjustment, we are very satisfied with the growth in the underlying performance of the salmon business this year, in spite of the climate related challenges faced.

WILD CATCH FINANCIAL OVERVIEW

Sales Volume (GWT)	-9%
Revenue	+7%
Profit contribution	-3%

Catch volumes at 78k GW tonne were overall 8% lower this year. After the challenges in the first half, our fishing business was able to come back strongly and the final result, given the circumstances, was satisfying.

While lower catch volume, in part reflected *San Granit's* three-month lay-up in our deep water fleet and the planned ten-week outage for the refit of *San Enterprise*, it also reflected the sale of our pelagic business to Pelco at the end of the skipjack tuna season and our inshore boats being out of service for either essential repairs, upgrades to support higher product quality, or unfavourable weather. A further contributor to lower catch volumes was the

voluntary reduction in our hoki catch in response to changing patterns being observed in one of the five Hoki fishing grounds. This was part of an industry initiative to shelve 20,000 tonnes of West Coast quota, which represented a 22% catch reduction on the West Coast.

Offsetting these downsides, we have made continued progress in converting more of our catch into higher value frozen fillets away from lower value fillet blocks.

This change in product mix has more than offset the impact of lower Hoki catches with an estimated incremental \$5 million lift in profit year on year.

While we experienced healthy catches in squid and toothfish, pricing for squid was strong while pricing for toothfish was 20% softer due to an oversupply in the North American market. Great catches in southern blue whiting offset poor hoki catches on the West Coast at the end of the season, albeit a less profitable species.

Overall Wild catch sales grew 7%, reflecting both our strategic shift to focus on higher value offerings and strong squid pricing. The strong sales growth however was unfortunately not sufficient to fully recover the additional costs incurred this year and overall profit performance in wild catch was marginally below last year.

FOCUS ON INVESTMENT

Investments have been made this year in processing plant improvement on our vessels and in our sites supporting operational excellence. Operational investments in Precision Seafood Harvesting technology on our vessels and in reducing the ambient temperatures in the landing pounds and processing areas have supported our ability to improve and maintain catch quality.

We have also invested in technology and training to put robust risk mitigation systems in place in our Big Glory Bay farms, acknowledging that climate change is a significant risk to the business.

We have made good progress in the planning and design phase of SanCore, our company wide information system and process replacement project that will have a phased implementation approach over the next two to three years.

Our strong balance sheet supports investments next year to accelerate progress with our innovation strategy, specifically with marine extracts and our asset rejuvenation strategy. We will be



Our strong balance sheet supports investments next year to accelerate progress with our innovation strategy, specifically with marine extracts and our asset rejuvenation strategy.

building our own purpose built marine extracts facility in Blenheim during 2020. We are replacing our scampi fleet over the next two years with larger vessels capable of delivering the highest quality of scampi, a high-value product in Sanford's portfolio. Well-considered investments in our fleet and facilities are supporting our strategy to reduce our commodity volumes from 80% to 50% to increase our value returns. We will also be focussing our efforts on developing the assets required to grow our mussel and salmon volumes.

OUTLOOK

Our result this year has demonstrated we are on the right track with our strategy, building increasing resilience into the business as we also focus on quality over quantity, using our provenance and brands to create stronger customer connections and investing in the innovation which is creating new revenue streams from our marine resources.

Progress is good, but we are not there yet. There is more work to be done to improve our margins by reducing and containing our fixed costs and to recover our investments in sales and marketing through focussing our customer base around value.

Against a backdrop of global economic uncertainty, we are feeling quietly optimistic about the coming year.

While ensuring our business today continues to create value for our shareholders and stakeholders, we will continue to focus on setting up Sanford for the next 100 years in a way that prioritises the sustainability of our practices and our business.

Katherine Turner
CHIEF FINANCIAL OFFICER
13 November 2019

REPORT STRUCTURE

Welcome to Sanford's sixth integrated Annual Report 2019 – **TOGETHER.**

It charts our progress towards our ambitious vision to be the best seafood company in the world and our achievements this year in bringing to life our purpose, which is to share the natural goodness of our oceans with uncompromising care. This progress has been made while honouring our shared values of Care, Passion and Integrity underpinned by the principle of Achieving Together.

In this report we provide a snapshot of *Our Global Operations* on pages 16 and 17, commenting on how we are progressing with our work to move our beautiful New Zealand seafood up the value chain by delivering more high return products, while keeping the focus on sustainability front and centre.

How We Create Value, on page 18 and 19, provides an integrated overview of our business model.

Our stakeholders are important to us and our annual *Reporting What Matters* section on pages 22 to 26, covers how we work with them to determine what matters most to them, so that our operations reflect and respect these material issues.

THE OUTCOMES – ANOTHER APPROACH

We have made some changes this year in our reporting against our Business Excellence Framework and the six outcomes it is designed to achieve.

Where in previous reports we began our Business Excellence Framework reporting with Building a Sustainable Seafood Business, our approach this year recognises that creating a sustainable business is the sum total of all our actions across our framework.

As a result, this year's order is:

- Enabling Healthy Oceans and Protecting the Environment
- Creating a Safe and High Performing Workplace Culture
- Leading the Way to Healthy Food and Marine Extracts
- Supporting Strong Communities and Partnerships
- Delivering Consumers' Expectations
- Building a Sustainable Seafood Business

We have combined the two outcomes of Enabling Healthy Oceans and Protecting the Environment and put these first.

We have also added Delivering Consumers' Expectations, recognising our focus on what is important to them as we increasingly move away from commodities to become a higher value seafood business.

BUSINESS EXCELLENCE FRAMEWORK



Sustainable seafood needs healthy origins, so we begin with *Enabling Healthy Oceans and Protecting the Environment*. We aim to lead by example in the management of the marine environment so that future generations can enjoy and benefit from our biologically diverse, safe, healthy oceans.

We work with our people, customers and suppliers to show how we can responsibly maximise the use of our resources from the sea while minimising our footprint and protecting the environment wherever we operate.



Our people are integral to our performance each year and ultimately the achievement of our vision. We are *Creating a Safe and High Performing Workplace*, because we want to be an employer of choice by delivering industry leading safety risk management, ensuring a culture of high performance and growth in which we are living our values.



Every year, we learn new ways to make more of the amazing marine resources available to us. *Leading the Way to Healthy Food and Marine Extracts* shows how we are driving sustainable performance across our value chain and positioning our brand as the industry partner and supplier of choice.



Supporting Strong Communities and Partnerships speaks to our leadership in creating employment and opportunities, coupled with our understanding of the needs of our communities and partners, ensuring we deliver a significant and positive contribution everywhere we work.



Delivering Consumers' Expectations recognises that to be the brand and supplier of choice for New Zealand seafood, we must understand customers' and consumers' needs and preferences and respond with a consistent high value, high quality product, supported by a strong story about provenance and sustainability.



Our sixth outcome, *Building a Sustainable Seafood Business* is the net result of all the other outcomes working together. It reflects our desire to deliver sustainable, profitable and socially beneficial outcomes through our people, sector leadership and approach to innovation and risk management. This section of the report then leads through to our full financial statements for 2019.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Sanford's sustainability strategy is aligned with the UN Sustainable Development Goals.

There are 17 goals agreed by the United Nations and a full description is available here <https://www.un.org/sustainabledevelopment/>

We have chosen to focus on the eight development goals where we believe we can make a difference. These goals are Good Health and Wellbeing (Goal 3), Quality Education (Goal 4), Decent Work and Economic Growth (Goal 8), Industry, Innovation and Infrastructure (Goal 9), Responsible Consumption and Production (Goal 12), Climate Action (Goal 13), Life Below Water (Goal 14) and Partnerships to Achieve the Goal (Goal 17).

We have captured these in the 'Future Focus' section for each of our six performance outcomes, and throughout some of our case studies.



VALUE CREATION - THE SIX CAPITALS

- FINANCIAL
- HUMAN
- MANUFACTURED
- INTELLECTUAL
- NATURAL
- SOCIAL AND RELATIONSHIP

Value creation in any one performance outcome, as set out in our Business Excellence Framework, will typically create value across more than one of the six capitals.

Examples in this year's report include investments in infrastructure to improve efficiencies in our fleet and in processing, the ongoing development of our Sea To Me inflammation management brand and

further research into marine extracts and their potential. We have formed closer customer relationships through our strategy to rationalise distributorships in high value markets and we have celebrated the bounty of the sea through the reopening of our iconic Auckland Fish Market. Recognising that Sanford's future is in the hands of its people, we have kept up our efforts to keep them engaged, safe, challenged and growing, both personally and professionally. Finally, we aim to make sure that everything we achieve will contribute to the natural capital that supports our business, as well as our communities and stakeholders, over the long term.

ROBUST REPORTING FRAMEWORKS

This Report has been developed in accordance with the International Integrated Reporting Council (IIRC) Integrated Reporting Framework. This enables us to explain how we create value over time and provide transparency on every aspect of our business activity.

We remain committed to integrated reporting because it is the right thing to do and we know an increasing number of stakeholders are interested in how we create long term sustainable value. We wish to be transparent.

We also applied the Global Reporting Initiative (GRI) Sustainability Reporting Standard 2016 to a core level of compliance, and report across a range of best practice environmental, social and governance (ESG) indicators. The GRI index is included in Appendix E.

DISCLOSURE

Unless otherwise indicated, this Report covers performance from all our operations, including North Island Mussels Ltd in which Sanford has a 50% interest. It does not include a full year contribution from Weihai Dong Won Foods processing facility in Weihai China, subsequent to the sale of our 50% shareholding to Japanese restaurant group Plenus, was finalised during the first quarter of FY19 with the cash receipt of \$9.0m.

Also disclosed at the half year was the sale of our pelagic assets in Tauranga to local company Pelco, including pelagic quota in Fisheries Management Area 1. This was completed on March 29 with cash settlement on April 3. The quota sale

reduces Sanford's overall quota holding under New Zealand's Quota Management System from around 22% to approximately 19% of the total volume available for commercial catch. In value terms, the sale of quota represents just 3.75% of the company's quota book value.

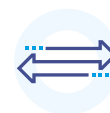
All financial data is presented in New Zealand dollars, unless otherwise stated. Any changes or restatements of previously reported figures are identified throughout the Report. KPMG has provided independent assurance of this Report, and this covers both statutory financial and selected nonfinancial information. The combined independent auditors and limited assurance report is on pages 138 to 144.

This Report, produced by Sanford's management team and reviewed by our Executive team, has been signed off by Volker Kuntzsch, our Chief Executive Officer and the Board as a true and accurate picture of our value creation during the year. The Directors are pleased to present the Integrated Annual Report of Sanford Limited for the year ended 30 September 2019.

For and on behalf of the Board of Directors:

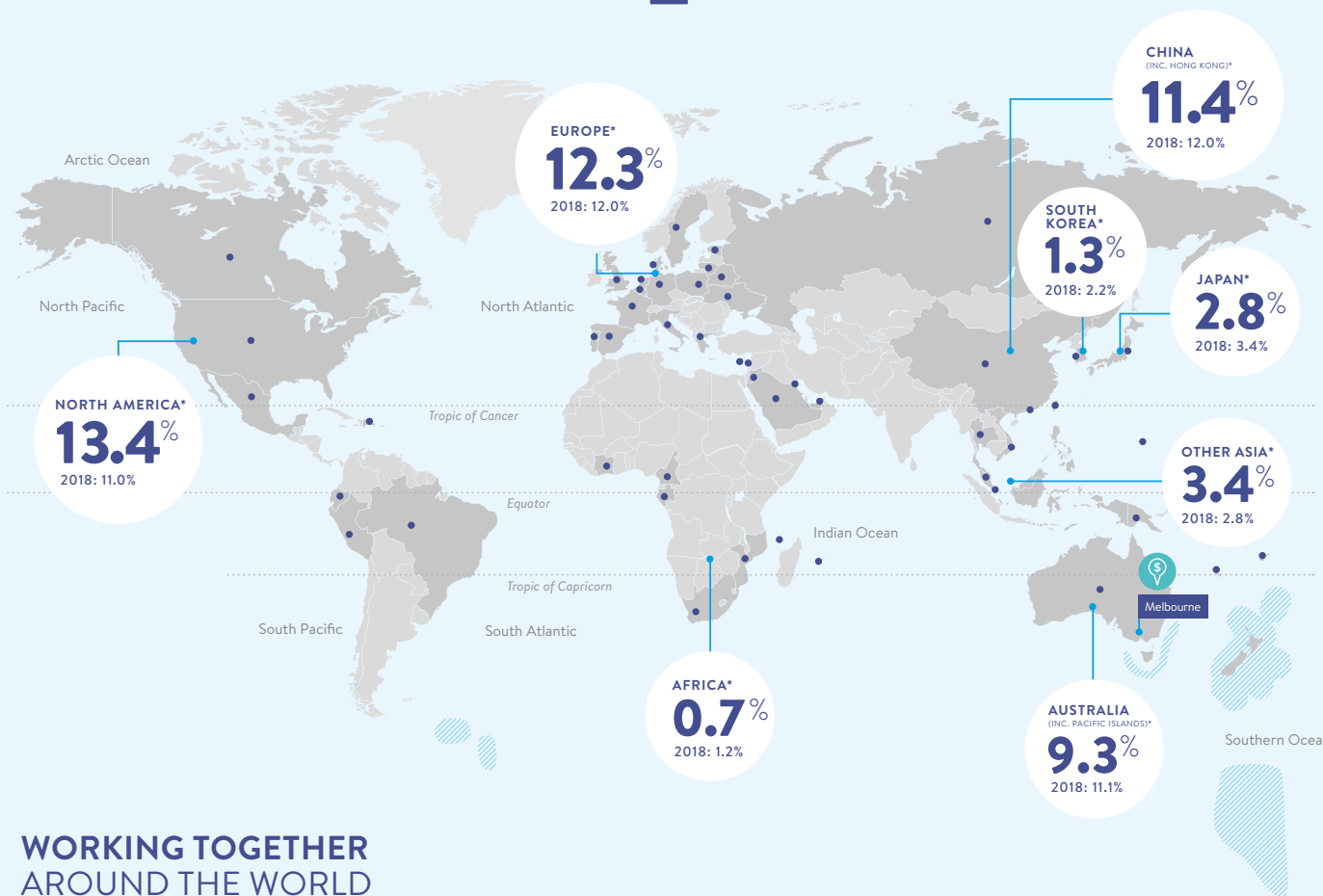
P G Norling
CHAIRMAN
13 November 2019

Sir R A McLeod
CHAIR AUDIT FINANCE AND RISK COMMITTEE
13 November 2019



We welcome feedback and questions on this Report; and encourage you to send these to our GM Corporate Communications at: info@sanford.co.nz.

OUR GLOBAL SALES FOOTPRINT



WORKING TOGETHER AROUND THE WORLD

In our 2019 Integrated Report, we have created a new outcome in our Business Excellence Framework: Delivering Consumers' Expectations. Consumers and customers are at the heart of what we do, as we work to bring them beautiful and sustainable New Zealand seafood. In this global snapshot of our revenue by territory, many of the changes reflected here from 2018 demonstrate our strategy of prioritising higher value markets and channels and growing our brands in our move away from commodity focus.


In the map above, percentages shown relate to the operations revenue from our top nine geographical locations at point of sale

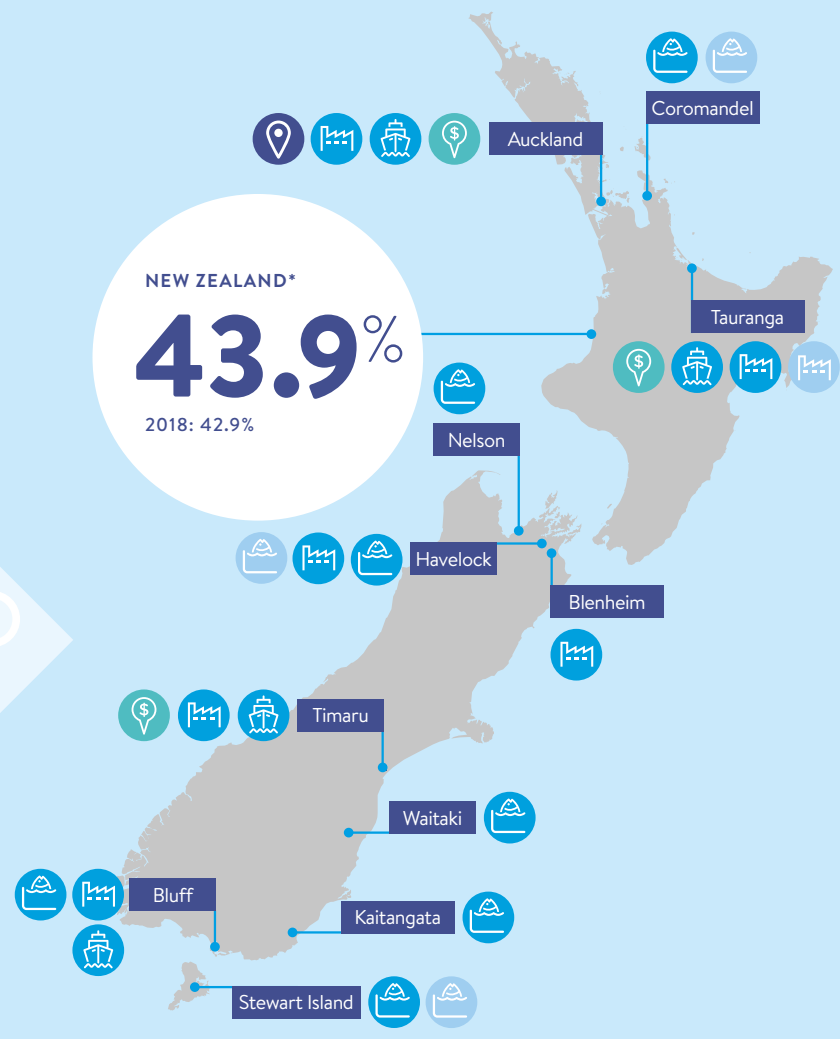
NORTH AMERICA – our market here has grown as a percentage of sales in 2019 on the back of our focus on introducing our premium species into high end food service channels. Key highlights include the introduction of Big Glory Bay salmon, we have feet on the ground in Los Angeles and have been successful in gaining listings in some of the best restaurants in the land. Significant growth in scampi sales and increased share of market for toothfish have also contributed to this growth. We have also greatly increased our sales of squid to North America in 2019, and have seen margin for this product grow significantly. This market remains a key focus for 2020 and beyond as we continue to grow our premium brand offerings.

EUROPE – this market has remained strong in 2019, with both ups and downs in key species. A positive has been revenue growth in Greenshell mussels as we continue to diversify markets. Revenue was offset however by a reduction in the volume of skipjack tuna sales. In line with our cascade improvements for hoki, revenue from this species has grown 20% in this region.









AFRICA – this market is a traditional commodity market driven mainly by species which Sanford exited in 2019 with the sale of our pelagic fleet, as we continue to focus on higher return areas of our business.

1,597

 SANFORD PEOPLE BRINGING BEAUTIFUL NEW ZEALAND SEAFOOD TO THOUSANDS OF PEOPLE AROUND THE WORLD EVERY DAY.



KEY

 Processing	 Aquaculture
 Fishing	 Fish Market
 Processing Joint Arrangements	 Aquaculture Joint Arrangements
 Head Office	 Fishing area

● Top Export Countries * Percentage of operations revenue from top nine geographical locations at point of sale

CHINA INCLUDING HONG KONG – the greater China market was slightly down on previous years in 2019. The principle driver of this was a decline in orange roughly sales although we expect that to bounce back in 2020. This has been offset by significant growth in scampi revenue, which we look to grow further in 2020 as Sanford explores e-commerce channels in Asia.

JAPAN – a challenging year in this market as key species, including scampi, saw softer demand due to higher prices globally. Highlights for the year included increased revenue from Greenshell mussels. The focus for 2020 includes growth in premium species such as salmon.

SOUTH KOREA – Core seafood sales in this market were steady in 2019 with good success in the mussel category. The decline in revenue this year was primarily driven by fishmeal sales as other markets had higher demand with better returns.

AUSTRALIA – we have launched Big Glory Bay salmon into the market with the Merivale Group in Sydney and look to further develop this brand in the coming year. The decline in this market compared to 2018 is largely a result of the improved hoki cascade and reduced block revenue as premium fillets are in strong demand in other markets. However, we are looking to reinvigorate this market in 2020 as we move our offerings up the value chain and into branded product.

NEW ZEALAND – 2019 has been another year of revenue growth in our home market with continued success in the premium foodservice sector and increased revenue from our fishing partners.

Our Big Glory Bay salmon expansion has been highly successful and now sees this product branded on the menus of many of New Zealand’s top restaurants. This has also benefited our fresh white fish business and the channel as a whole by creating added interest in our wider portfolio.

Sea To Me mussel powder direct to consumer business was launched in 2019 and continues to grow steadily.

The domestic market continues to be a primary focus for us in 2020 as we strengthen our branded offerings.

— HOW WE CREATE VALUE —

INPUTS

OUR BUSINESS



FINANCIAL CAPITAL

Pool of necessary funds (equity, debt and grants) provided by banks and shareholders, or generated through operations or investments



HUMAN CAPITAL

Competencies, capabilities and experience of our employees, our key asset, and the capacity to add value through human capital development



MANUFACTURED CAPITAL

Tangible, production-orientated goods and infrastructure owned, leased or controlled by Sanford that contributes to the delivery of our products and services



INTELLECTUAL CAPITAL

Intellectual property, brand and reputation, a key element of our future earning potential and competitive advantage



NATURAL CAPITAL

Stock of natural resources or environmental assets (water, atmosphere, land, materials, biodiversity and ecosystem health) that are fundamental to our future prosperity

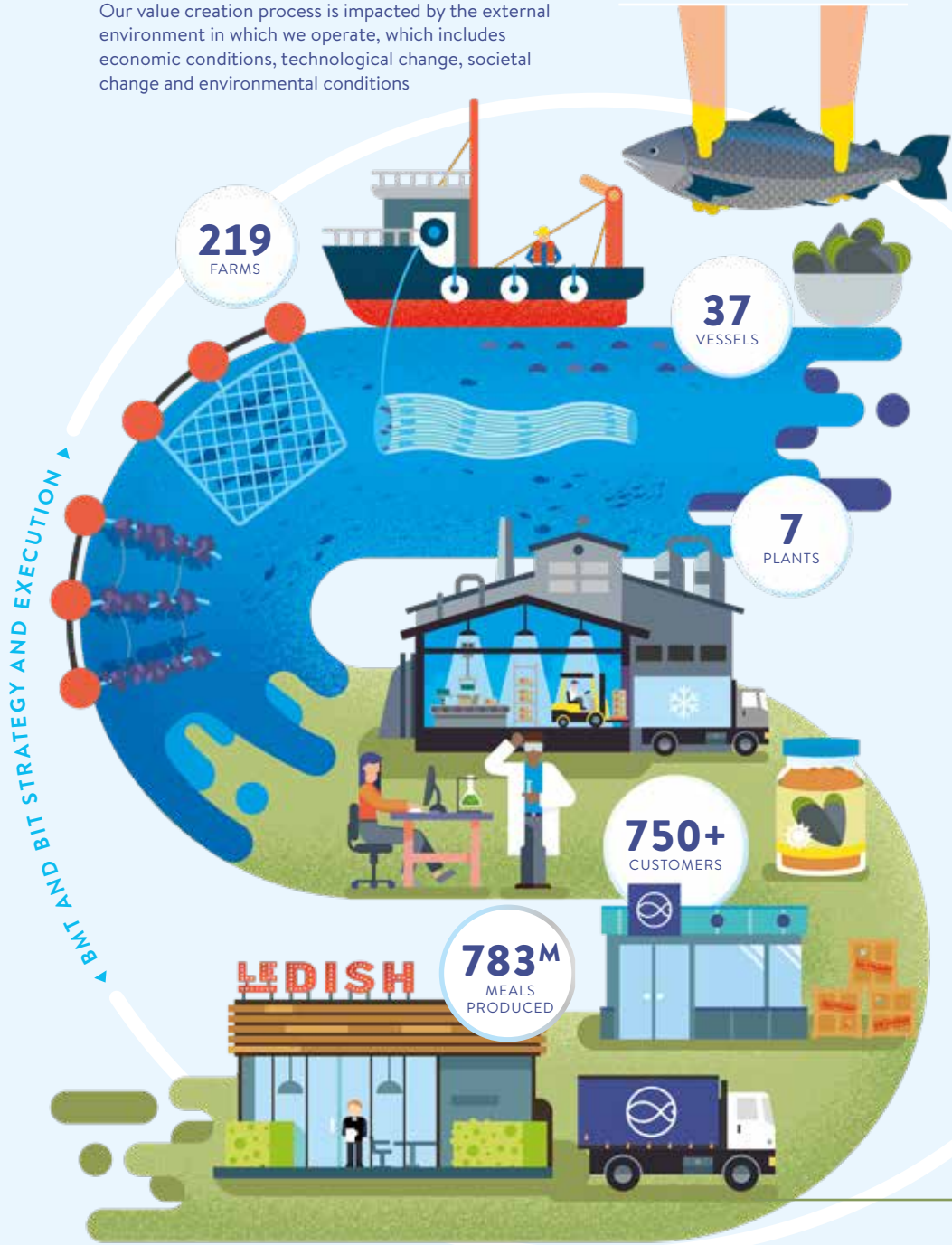


SOCIAL & RELATIONSHIP CAPITAL

Relationships within Sanford, and between Sanford and its external stakeholders, which are essential to retaining our social licence to operate, including relationships to maintain quotas and licences

VALUE CREATION PROCESS OVER TIME

Our value creation process is impacted by the external environment in which we operate, which includes economic conditions, technological change, societal change and environmental conditions



OUR PURPOSE

WE SHARE THE NATURAL GOODNESS OF OUR OCEANS WITH UNCOMPROMISING CARE

OUR VALUES

CARE

PASSION

INTEGRITY

ACHIEVING TOGETHER

OUTPUTS



OUTCOMES



**BEAUTIFUL
NEW ZEALAND
SEAFOOD**

\$545.1^M

REVENUE IN 2019



HIGHS AND LOWS
PAGES 20-21



ENSURING HEALTHY OCEANS AND PROTECTING AND ENHANCING THE ENVIRONMENT

We will lead by example in health ocean management so that future generations can enjoy and benefit from our biologically diverse, safe and healthy oceans.

We will work with our people, customers and suppliers to lead the way in maximising resource utilisation, minimising our footprint and protecting the environment wherever we operate.



CREATING A SAFE AND HIGH PERFORMING WORKPLACE

We strive to become an employer of choice by delivering industry leading safety risk management, ensuring a culture of high performance and growth and by living our values.



LEADING THE WAY TO HEALTHY FOOD AND MARINE EXTRACTS

We will lead the way in driving sustainable performance across our value chain, and positioning our brand as the industry partner and supplier of choice.



SUPPORTING STRONG COMMUNITIES AND PARTNERSHIPS

Our leadership in creating employment and skills opportunities, coupled with our understanding of the needs of our communities and partners, ensure we deliver a significant and positive contribution everywhere we work.



DELIVERING CONSUMERS' EXPECTATIONS

We will work with customers and consumers to bring them the best of our sustainably harvested seafood and marine extracts, demonstrating great care for our beautiful New Zealand products and achieving the optimal value for these precious resources.



BUILDING A SUSTAINABLE SEAFOOD BUSINESS

We will endeavour to deliver sustainable, profitable and socially beneficial outcomes through our people, sector leadership, approach to innovation and risk management strategies.



OUR VISION

**THE BEST
SEAFOOD
COMPANY IN
THE WORLD**

— HIGHS AND LOWS —

VALUE CREATION OUTCOMES



ENSURING HEALTHY OCEANS AND PROTECTING AND ENHANCING THE ENVIRONMENT

HIGHS

5

Vessels using Precision Seafood Harvesting (PSH)
2018 **4**

▼13%

decrease in overall carbon emissions intensity across all operations when compared to revenue (CO₂-kg/revenue)

COAL USE REDUCED TO ZERO

following conversion of boiler in Timaru to woodchips
2018 **234 tonnes**

LOWS

164

seabirds killed
2018 **273**
▼ **40% decrease**

46

marine mammals Killed
2018 **71**
(although 35% reduction on previous year)

2

Notifiable Spills
2018 **4**



CREATING A SAFE AND HIGH PERFORMING WORKPLACE

72%

reported levels of engagement across the group (2018: 53%) through a new digital people survey, providing deeper insights (Peakon survey)

▼18%

reduction in ACC claims
96
2018 **118**

1ST

inaugural sea-faring officers' conference

151

front line team leaders and supervisors graduated from the San Ignite programme and 60 vessel officers and functional managers graduated from the San Activate programme
2018 **121 for both programmes**

DEATH OF STEFFAN STEWART ABOARD SAN GRANIT

17.75

LTIFR (based on hours worked)
2018 **13.89**
▲ **27.7% increase**

12

more Serious Harm (Notifiable) Injuries than the previous year, a total of 17 (2018: 5). One reason for the increase is the inclusion in the 2019 data of 8 notifiable occurrences with no injury. In prior years the data only captured actual injuries notified to regulatory bodies.
2018 **5**



LEADING THE WAY TO HEALTHY FOOD AND MARINE EXTRACTS

REDUCTION

of aged inventory in the quantity of stock held (-13% on 2018)

▲7.9%

improvement of the average DIFOT over 2018 (DIFOT - delivery in full, on time)

COMPLETED

South Island project to setup the Bluff processing facility as a centre of excellence for salmon, Timaru for white fish and Havelock for mussels.

162

customer food quality complaints received (62% justified) relative to 133 received in 2018 (56% justified).

▼16%

customer service quality rating very positive experience 44%
2018 **59%**

VALUE CREATION OUTCOMES

HIGHS

LOWS



SUPPORTING STRONG COMMUNITIES AND PARTNERSHIPS

\$365^K

contributed to community, charity and sponsorship programmes
2018 **\$244k**

57

schools supported through Graeme Dingle Foundation partnership
2018 **57**

10,660

students supported through Graeme Dingle Foundation partnership
2018 **10,667**

Impact on Staff in Southland

of our footprint changes in the South Island, which were also initially disappointing to the community. This was worked through via constructive interactions with staff and stakeholders.



DELIVERING CONSUMERS' EXPECTATIONS

2 Openings

- Auckland Fish Market, the foodservice hub
- Sanford and Sons Fishmongers

4 Launches

- Sea to Me nutraceuticals brand
- Catch to Cook campaign with Annabel Langbein
- Big Glory Bay brand in Australia and USA

2 Delays

- Roll-out of Big Glory Bay premium brand salmon to USA, due to algal blooms
- Fish oil production, due to no suitable manufacturing capability available. Resolved with opening of new marine extract facility in 2020/21 based in Blenheim



BUILDING A SUSTAINABLE SEAFOOD BUSINESS

Revenue
\$545.1^M

▲ **8%** (like for like)
2018 **\$515.0M**

\$0.56

EBIT Value per kg
▲ **3.7%**
2018 **\$0.54/kg**

▼ **4%**

fall in overall GWT harvested (113 k MT vs 118 k MT for 2018)

ALGAL BLOOMS

impacted production in Marlborough mussel harvests and Stewart Island salmon, the growth achieved could have been higher.

▲ **15%**

SALMON
and 9% mussel harvests higher, despite separate algal blooms impacting these businesses

23.6%

GEARING
▼ positive fall from 26.6% in 2018

Adjusted EBIT

\$64.8^M

2018 **\$64.7m** – Flat

23

Toolbox Toolkits – video updates for staff and sharefishers accelerating internal communications

RETURN ON AVERAGE EQUITY FELL

from 7.3% to 7.1%. Profit after tax is similar to prior year which has dampened the expected increase in this measure.

REPORTING WHAT MATTERS

OUR APPROACH

Each year we engage with key stakeholders both inside and outside Sanford to better understand what matters most to them. With support from our partner thinkstep ANZ, we identify and rank the issues stakeholders regard as material for our business using a combination of interviews, workshops and surveys, informed by the International Integrated Reporting Council (IIRC) Framework and the Global Reporting Initiative (GRI) Standards.



TOP IMAGE: Phil Tate guiding Sanford's Materiality workshop in Marlborough

THE FIVE STEPS OF STAKEHOLDER ENGAGEMENT



01 IDENTIFY STAKEHOLDERS

This year we engaged with 50 stakeholders (32 external and 18 internal) through three workshops and eight interviews. Since 2017, we have engaged with more than 100 stakeholders over three years, through the current iteration of our materiality assessment process. These stakeholders were selected and ranked using best practice criteria from the AA1000 Stakeholder Engagement Standard 2015, with selection based on elements such as dependency, responsibility, urgency, influence and diversity of their perspective.



02 ENGAGE THROUGH INTERVIEWS AND WORKSHOPS

We introduced a new regional workshop format this year, running three workshops in August 2019: two in Marlborough (one with external stakeholders and one with internal stakeholders) and one in Tauranga (with both external and internal stakeholders combined). These workshops were designed to bring together stakeholders within a local community and to get them to think constructively about the current challenges for Sanford as well as their aspirations for the future of the seafood industry.

We also interviewed a further eight stakeholders in detail (four external and four internal) using the same interview format as in 2017 and 2018, based on a set of open-ended questions designed to allow the stakeholders to discuss their views on the issues most crucial for Sanford in the short, medium and long term.



03 ASK STAKEHOLDERS TO SCORE EACH ISSUE

A shortlist of 30 issues was prepared from the interviews and workshops, and a web-based questionnaire was sent to all stakeholders. They were asked to rank each of the issues that were identified by all stakeholders collectively. The list of issues remains substantively the same as last year, though three issues have been renamed to reflect stakeholder feedback.



04 PRODUCE A MATERIALITY MATRIX

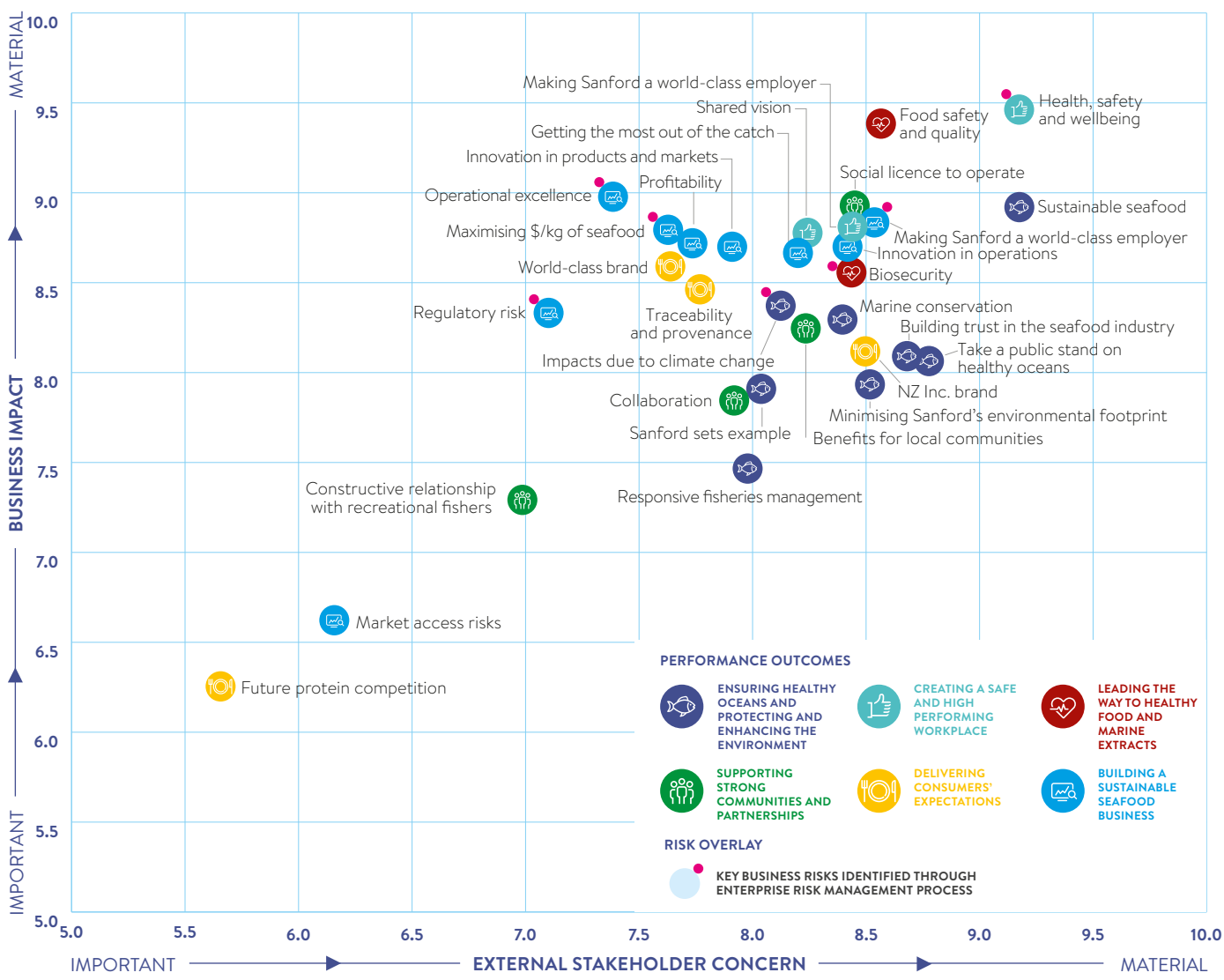
The questionnaire results are shown in the materiality matrix, laid out to reflect how important the issues are to internal stakeholders (vertical axis) and external stakeholders (horizontal axis). This year, a 50% weighting was applied to the average stakeholder scores from 2019 and a 50% weighting was applied to the average of the scores from previous years. This gives an equal weighting to the current and past data.



05 SENSE-CHECK THROUGHOUT THE PROCESS

Sources of information used to check for completeness included the UN Sustainable Development Goals (SDGs), outputs from our Audit, Finance and Risk Committee, Colmar Brunton's Better Futures report and lists of global megatrends.

Materiality matrix



THE TOP ISSUES AND KEY CHANGES BETWEEN 2018 AND 2019

This matrix shows the top 30 issues, grouped into the six performance outcome areas that we focus on through this Report. We also highlight issues in common with our Enterprise Risk process, and summarise key mitigation strategies for these in Appendix B. Our focus on these issues in the Report reflects the importance that both internal and external stakeholders placed on these issues.

In 2019, our top 10 Materiality issues are:

1. Health, safety and wellbeing of our people
2. Sustainable seafood
3. Food safety and quality
4. Social licence to operate
5. Transparent and effective communication
6. Making Sanford a world-class employer
7. Innovation in operations
8. Biosecurity
9. Shared vision
10. Getting the most out of the catch

A summary of the key issues and changes since last year is given below:

Health, safety and wellbeing remains our #1 material issue, its importance increasing even further this year for external stakeholders. The tragic death of Steffan Stewart while aboard the San Granit in November 2018 remains front of our minds, and the physical and mental wellbeing of the whole Sanford family is our top priority as a business.

Sustainable seafood has climbed further this year to #2 on our Materiality Matrix and is the top-ranked issue by external stakeholders. **Food safety and quality**



PHOTO: Participants at Sanford's Materiality workshop in Tauranga

rounds out our top-three issues, falling very slightly from 2018. Together, these three issues highlight that in order to deliver on our mission of being the best seafood company in the world, we must strive towards safe, healthy food and marine extracts that are produced in a way which respects both the natural environment and our own people.

Social licence to operate has climbed two places to fourth, though its position on the matrix has moved only slightly from last year. It is part of a cluster of issues which complete our top-ten: **transparent and effective communication** (#5), **making Sanford a world-class employer** (#6), **innovation in operations** (#7), **biosecurity** (#8), **shared vision** (#9) and **getting the most out of the catch** (#10). Of these, the biggest mover was **innovation in operations**, which jumped up six places as a result of the importance placed on this issue by our own people. There is a recognition internally that for Sanford to sustain success, we must further improve our internal IT systems and continue to invest in our fleet, aquaculture farms and onshore technology.

Issues linked to **sustainable seafood** all climbed in importance this year: **take a public stand on healthy oceans** (up eight places to #11), **building trust in the seafood industry** (previously “address lack of trust in the seafood industry” and up three places to #12) and **marine conservation** (up five places to #13). The ranking of all three issues increased for both internal and external stakeholders in 2019, with the largest increase coming from internal stakeholders. The sentiment that we

must act as stewards of the seas, so that the richness of our oceans can be shared fairly both within and between generations of New Zealanders, was expressed in both the regional workshops held this year in Marlborough and Tauranga.

The importance of **profitability** and the related issue of **maximising dollars per kilogram of seafood** continued their decline among both internal and external stakeholders, each falling 10 places this year to #19 and #20 respectively. This reflects the views expressed by a variety of regional stakeholders this year, youth stakeholders last year, and of NGOs across all years. However all stakeholders acknowledge that Sanford must make a profit to stay in business. We also saw **providing benefits for local communities** increase four places to #17.

The **NZ Inc. brand** (up six places to #14) was the most polarising issue this year, increasing significantly in importance for internal stakeholders but falling in importance for external stakeholders. This is likely to be due to the emphasis placed on regional workshops this year, which meant that our pool of stakeholders included dozens of New Zealanders but only one customer from outside of New Zealand (who ranked this issue 10/10).

Impacts due to climate change increased slightly to 16th place, after a big jump from 25th place to 17th place last year. The change this year was largely due to increased emphasis from external stakeholders. This is an area where we see a difference between our Materiality process and our Enterprise Risk process.

However there are several factors driving this and a key one is immediacy. External stakeholders are not as close to the front line of our business as we are. Sanford people see the impacts of climate change on the water, so it is more immediate and obvious to us. Also risk assessment is, by its nature, more future focused. Materiality is not. However it is interesting to note that the ranking of climate change in our Materiality process is rapidly catching up to the view reflected in our Enterprise Risk process. We expect to see this trend continue.

Minimising Sanford's environmental footprint jumped five places to #18, reflecting increased awareness among stakeholders of ocean plastics, packaging waste and movements towards a more circular economy.

“Reforming the Quota Management System” has been renamed to **responsive fisheries management** to better reflect wider and more general opportunities for change. This issue moved up one place to #26. The change in name follows feedback from the regional workshops and stakeholder interviews that suggested more scientific research is needed, both of individual fish species and of the wider ecosystems they contribute to. This research should then be applied to enable more sustainable management of wild-catch and farmed fisheries in response to observed changes. Several stakeholders also commented that the observations of skippers and their crews should also be incorporated, given that they are the ones out on the water every day.

While there was quite a lot of movement at the bottom-left of the materiality matrix, the rankings of **constructive relationship with recreational fishers, market access issues** and **future protein competition** remain unchanged for 2019 at #28, #29 and #30 respectively.

ENGAGING WITH STAKEHOLDERS

We value our relationships with stakeholders and the opportunity to learn from them. We continue to invest heavily in continuing to improve engagement processes, and developing positive relationships founded on shared understanding. Further details of the roles of our respective stakeholder groups, including principal memberships and the key roles that Sanford representatives contribute, are set out in Appendix C.

BRINGING A REGIONAL PERSPECTIVE

Becoming the best seafood company in the world requires in-depth engagement with our stakeholders, including those in our regional operations.

This year, we took our stakeholder engagement process directly to the regions, bringing the local Sanford family together with community members they work or interact with, including suppliers, customers, research organisations, iwi, training institutions, local government representatives and the local Chamber of Commerce.

We ran three half-day workshops in August 2019: two in Marlborough (one with external and internal stakeholders, and one for our internal team) and one in Tauranga (with both external and internal stakeholders combined). All workshops were run off-site by an external facilitator from our partner thinkstep ANZ to help create an open, friendly environment.

Using the Three Horizons method, we posed stakeholders the following three questions:

1. What challenges do you see that Sanford needs to address regarding its current operations?
2. What would a vibrant future seafood industry look like to you, and what values do you believe are necessary to support it?
3. What innovations or initiatives could provide pathways and linkages to that future industry vision?

From this process came a series of future visions, as well as some tangible steps to help bridge the gap between the present and the desired future.

As an example, the future visions from the four stakeholder groups selected in the Marlborough workshop were:

- Local community: a seamless integration of shared values and aspirations
- Iwi: A vision of the future that focuses on the long-term
- “Generation Greta” and consumers: In search of authenticity and transparency
- Research community: Using bold, open thinking to create new lines of business



Thank you for providing me the opportunity to participate in a process like this... This process shows the level of commitment Sanford is making to achieving its sustainability goals.

— **Brendon Burns**
CHAIR, SMART+CONNECTED
AQUACULTURE



We spend as much time with our crewmates as we do with our families, so we look out for each other when we're out on the water.

— **Rodney Hanson**
SANFORD



PHOTOS: Participants at Sanford's Materiality workshop in Marlborough. Sanford thanks all participants in both regions for their contributions

ADDRESSING MATERIAL ISSUES THROUGH OUR BUSINESS EXCELLENCE FRAMEWORK

Addressing the most material issues is our priority at Sanford. We achieve this through our focus on the six outcomes which are described in the performance section of this Report (on pages 27 to 85). In the diagram below, we link the material issues to the performance outcomes and identify the overall priority of each to the stakeholders we consulted through our stakeholder engagement and materiality processes over the last three years: 2017-2019.



2 REPORTING WHAT MATTERS



ENSURING HEALTHY OCEANS AND PROTECTING AND ENHANCING THE ENVIRONMENT (page 27)

- Sustainable seafood (2)
- Building trust in the seafood industry (12)
- Impacts due to climate change (16)
- Marine conservation (13)
- Take a public stand on healthy oceans (11)
- Minimising Sanford's environmental footprint (18)
- Sanford sets example (24)
- Responsive fisheries management (26)



CREATING A SAFE AND HIGH PERFORMING WORKPLACE (page 39)

- Health, safety and wellbeing of our people (1)
- Shared vision (9)
- Making Sanford a world-class employer (6)



LEADING THE WAY TO HEALTHY FOOD AND MARINE EXTRACTS (page 49)

- Food safety and quality (3)
- Biosecurity (8)



SUPPORTING STRONG COMMUNITIES AND PARTNERSHIPS (page 59)

- Social licence to operate (4)
- Providing benefits for local communities (17)
- Collaboration (25)
- Constructive relationship with recreational fishers (28)



DELIVERING CONSUMERS' EXPECTATIONS (page 67)

- Traceability and provenance (22)
- NZ Inc. brand (14)
- World-class brand (23)
- Future protein competition (30)



BUILDING A SUSTAINABLE SEAFOOD BUSINESS (page 75)

- Transparent and effective communication (5)
- Profitability (19)
- Maximising \$/kg of seafood (20)
- Getting the most out of the catch (10)
- Innovation in products and markets (15)
- Innovation in operations (7)
- Operational excellence (21)
- Regulatory risk (27)
- Market access issues (29)





ENSURING HEALTHY OCEANS AND PROTECTING AND ENHANCING THE ENVIRONMENT

We will lead by example in the management of the marine environment so that future generations can enjoy and benefit from our biologically diverse, safe and healthy oceans.

We will work with our people, customers and suppliers to lead the way in maximising resource utilisation, minimising our footprint and protecting the environment wherever we operate.



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Sanford can responsibly produce food and marine extracts by efficiently using resources and growing the aquaculture industry. Our efforts to do more and better with less, and the growth of our aquaculture sector's comparatively small environmental footprint (relative to other protein sources) contributes positive, sustainable outcomes for New Zealand. We are formalising our approach towards improving our resource efficiency, and driving innovation.

13 CLIMATE ACTION



Climate change is affecting every country and the disruption is likely to have a significant impact on all of our stakeholders. We are conscious of the impact that climate change will have on the oceans and the inherent risk to our business model. We can reduce climate change impact through our operations and are striving to reduce our greenhouse gas emissions to 30% below 2005 levels by 2030.

14 LIFE BELOW WATER



The oceans – their temperature, chemistry, currents and life – drive global systems that make the earth habitable for humankind. They are the natural capital that Sanford's business relies upon to provide value to our stakeholders. It is therefore imperative that we do everything in our power to ensure their health. The biggest difference we can make is by sustainably utilising fish stocks and in our aquaculture operations, ensuring that we don't pollute the resource we rely on for our product. Sanford is also taking a leadership role, both within New Zealand and globally to support sustainable ocean management.

17 PARTNERSHIPS FOR THE GOALS



Healthy oceans require strong multi-stakeholder partnerships that cut across the boundaries of industry, government, academia and non-governmental organisations (NGOs). Sanford is an industry leader in breaking down barriers so that collaborative partnerships can evolve to develop innovative solutions and long-term commitments, with a goal to ensuring healthy and sustainable oceans for generations to come.

It all starts with the health of the oceans and the wider environment. Sustainable seafood needs healthy oceans, whether for wildcatch or farming. Both are exposed to the risks from climate change and these are risks we see, and do our best to mitigate, every day at Sanford.

It is no exaggeration to say that our oceans are vital to our survival. A recent study showed they absorbed around a third of the carbon humans put into the atmosphere between 1994 and 2007*. If we don't nurture our oceans at a company level, or a national level, or indeed a species level, then no amount of mitigation will be enough. We may have great customer relationships, leading edge fishing technology and wonderful people, but we still need to be able to sustainably harvest the raw materials from clean, cool seas.

This is why we put this section on Healthy Oceans and Protecting the Environment first, because to us it comes first and everything else is built on it. It deserves urgent attention and focus. We see it and the contents of this chapter reflect that, beginning with our work with partners WWF and Moana New Zealand to fight to protect endangered marine species, moving on to look at the science and mitigation strategies we have in place to help us adapt to climate change and then ending with the story of one of our skippers and his crew working in one of the most protected fisheries in the world and showing how research and fishing can work hand-in-hand to ensure sustainability.

We know our stakeholders care about this as much as we do. Sustainable seafood and maintaining our social licence to operate were the second and fourth highest ranked issues respectively in our materiality work (see page 23).

With all this in mind, at sea and on the land, we work together to minimise our impact and protect resources for future generations.

* published in Science 15 March, 2019 The oceanic sink for anthropogenic CO2 from 1994 to 2007, N Grouber et al



Material issues and value creation

This table summarises Sanford's material issues relating to *enabling healthy oceans and protecting the environment*, the strategic goals defined through our Business Excellence Framework, our targets for 2019, and our progress against these targets in contributing to value creation. At the end of this section, we also define our future targets and vision to 2025.

MATERIAL ISSUES & STRATEGIC GOALS	2019 TARGETS	PROGRESS AGAINST TARGETS
Sustainable Fish Stocks, marine farms and marine conservation Comply with all applicable laws and regulations governing our operations, including relevant international conventions, recognising the importance of healthy ocean and farming management.	All fishers to continue to record and report their catch to ensure maximum transparency of the fish stock status and to comply with all fisheries and marine regulations at all times.	Achieved. Full and compliant catch monitoring. This year we upgraded our system to enable up to the minute tracking of our vessels and mapping all the restricted fishing areas to ensure that no vessels fish in those areas. Sanford are being guided by the regulators as to when cameras will be introduced. Two Sanford Inshore vessels San Tongariro and San Rakaia will be part of the Fisheries New Zealand West Coast North Island camera installation programme.
	Continue engaging with New Zealand's Deepwater Group and Fishing Inshore NZ to ensure that the industry collaborates to ensure the health and continuing existence of NZ fish species managed under the QMS.	Achieved. The industry continues to demonstrate concern for the health of fish stocks by collectively agreeing to reduce the available catch limits for species which the industry believes do not appear to be present in expected numbers. The industry came together both in 2018 and 2019 and voluntarily in each of these years agreed to reduce the hoki catch limits in order to protect the biomass of this important species to the New Zealand industry.
	Maintain third party certifications across Sanford aquaculture farms, validating our commitment to farm efficiently and deliver sustainable seafood.	Achieved. Five certifications maintained including Best Aquaculture Practice (Big Glory Bay King (BGB) salmon and Greenshell™ mussel farms); Certified Organic (BGB mussel farms and processing plant); Marine Farm Association Environmental Certification (mussel farms Marlborough); A+ Sustainable Aquaculture (mussel farms).
	Support MSC sustainability certification for deepwater species in New Zealand's Exclusive Economic Zone.	Achieved. Sanford continues to actively engage with and support MSC certification for deepwater species. In 2019, 36% of our total deepwater wildcatch by greenweight tonne (GWT) was MSC certified (FY18: 44%).
Endangered, threatened and protected species Ensure protection of marine species, including seabirds, sea lions, dolphins and sharks through delivering best practice farming and fishing practices, implementing protection measures and participating in ongoing robust research programmes.	Implement ongoing initiatives to minimise seabird and marine mammal interactions through research, technology and best practice mitigation.	Ongoing. We continue to focus on research, technology and training to reduce our interactions with endangered, threatened and protected species through a range of industry initiatives. We recognise the importance of transparent reporting and are focusing on targeted initiatives as we strive to improve our performance.
	Develop and implement a Plan to progressively remove fishing-related threats and enable the Māui dolphin population to recover and expand.	Achieved. Work and engagement with fishers and World Wildlife Fund to remove residual risk to Māui Dolphin has continued in 2019.

MATERIAL ISSUES & STRATEGIC GOALS

2019 TARGETS

PROGRESS AGAINST TARGETS

Environmental Effects

Focus on having no adverse impact on the environment when carrying out our business operations, avoid pollution or contamination of land, air and water and enhance the environment in which we operate through sound management and mitigation.

Maintain certification to ISO 14001:2015 across all of our operations.



Achieved. ISO 14001:2015 certification. Ongoing enhancement to Environmental Management System.

Design and implement a targeted engagement programme, raising awareness of marine plastic pollution.



Ongoing. This year we built on last years World Oceans Day initiatives, by co-developing lesson plans with the Graeme Dingle Foundation around marine plastics, holding themed events and beach clean ups around the country.

Identify, define and deliver targeted initiatives to reduce plastic waste.



Ongoing. This year we developed and launched tote bags made of recycled plastic bottles at our retail stores in line with the governments ban on single-use plastic shopping bags. A range of other initiatives are in progress, from packaging innovations to the ongoing roll-out of eco-ties in our aquaculture operations.

Resource Utilisation and Efficiency

Do more with less by maximising efficient use of resources and ensuring waste minimisation, re-use and recycling.

Improve water intensity by 3% at all land-based processing sites.



Achieved. -12.6% (12.6% decrease in land-based water intensity in 2019 compared to 2018FY. When comparing total potable water used in land-based processing sites by total processing site sales L/NZD).

Reduce the core intensity at our land-based processing sites by 3%.



Achieved. -7.2% (7.2% decrease in Core energy intensity in 2019 compared to 2018FY. When comparing total energy used at land based processing sites by total processing site sales MJ/NZD).

35% waste diversion rate across all of our operations.



Ongoing. 30% diversion rate achieved across all Sanford operations in 2019FY. This is a 1% decrease in diversion rate when compared to 2018FY. Projects are ongoing to achieve our target of 35% diversion rate.

Carbon reduction and offsetting

Demonstrate our commitment to climate change responses by actively reducing our energy consumption and emission of greenhouse gases and seeking to introduce low carbon solutions into our value chain, where practicable.

Reduce our carbon emission intensity by 2.5% across all of our operations.



Achieved. Overall carbon emission intensity decreased 13% across all operations, when compared to Revenue (CO₂-kg/Revenue \$).

Save 5GWh of energy or renewable energy conversion potential across all operations in line with the Energy Efficiency and Conservation Authority (EECA) agreement.



Ongoing. EECA collaboration agreement ongoing. Targeted initiatives and reporting continued throughout 2019 including an energy audit of San Won coolstore which opened up energy management opportunities. Significant ongoing focus on streamlining data collation, tracking and reporting at overall business and operational levels.



Collaborating for Maui

WORKING TOGETHER



With Maui dolphin critically endangered, Sanford is working together with WWF and Moana New Zealand to bring new thinking to their conservation.

New Zealand is home to one of the world's rarest Cetaceans, the critically endangered native Maui dolphin.

Our concern and our care for these precious mammals is not new. We partnered with Moana New Zealand and WWF New Zealand in 2016 to create our Maui Protection Plan, where we committed to mitigations which have made a difference. Other fishing companies joined us. Together we changed where and how we fished on the water and working with set net fishers in harbours to collect data that was used in the science process. These included changing the areas where we fish and working on a transition plan to dolphin safe fishing in any areas where we or our partners and contractors might overlap with recognised Maui habitat.

Initiatives under that plan have reduced the total remaining fisheries risk to Māui dolphins by an estimated 16% using Ministry for Primary Industries and Department of Conservation risk modelling. We understand that fishing activity remains a risk factor for Maui and we are looking to do more to help.

An opportunity arose when the 2019 Threat Management Plan (TMP) discussion document was released by the Department of Conservation and Ministry for Primary Industries. This was a chance for a conversation about what more we and others could do to help, without having to hurt the people whose lives and livelihoods are dependent on the ability to fish. Within the TMP was information that was a controversial revelation for many, that toxoplasmosis, a parasitic disease spread by cat faeces, is a confirmed cause of death in Hector's and Māui dolphins and a significant risk to the species.

OPTION 5

“A ROBUST AND INNOVATIVE PLAN DESIGNED TO PROTECT BOTH DOLPHINS AND PEOPLE INCLUDING THE INDUSTRY AND COMMUNITIES THEY REPRESENT”



PHOTO: Maui dolphin, image courtesy of DOC, photographer Martin Stanley

Fishing versus disease is a passionate and polarising debate, so it's easy to talk past one another and much harder to talk face to face. In WWF New Zealand, with their “together possible” approach, we have a courageous partner and we have been able to agree with them and Moana, a clear and shared vision of what really matters here – both dolphins and people. As WWF say, it is about people living in harmony with nature.

The TMP process brought the three Protection Plan partners back around the table in 2019 to balance the urgent need to protect New Zealand's Maui with the importance of respecting and assisting fishing communities. Hector's dolphins were also included in the TMP and we felt that any strategies we could develop to help Maui would also be of great use in the areas where the more populous, but still delicate Hector's populations live.

Our collaboration culminated in an alternative option, which we call Option 5, a robust and innovative plan designed to protect both dolphins and people including the industry and communities they represent. It took courage and concessions – but no compromises when it came to our respective values.

Option 5 includes:

- A WWF led initiative to address toxoplasmosis through creating a research and education infrastructure to tackle its effects on wildlife and people
- a “move on” rule if fishing vessels see, detect or are advised of Maui dolphins in an area
- training in dolphin-safe fishing practices for fishers
- drone monitoring in partnership with high-tech charity Maui63 to enable us to track exactly where Maui are, helping us to understand their movements and direct fishing vessels to avoid them, potentially in real time

These changes follow on from our 2016 voluntary actions to withdraw Annual Catch Entitlement (ACE) from set net fishers north of New Plymouth by October 2017 and invest in trialling alternative dolphin-safe fishing methods to be in place by the end of 2022.



PHOTO: From left to right, Volker Kuntzsch and Livia Esterhazy (CEO WWF) appear on the AM Show with Mark Richardson, Amanda Gillies and Duncan Garner

In our partnership with WWF New Zealand and Moana we believe we have a genuine, workable solution. The work has already started and will continue regardless of the outcome of the TMP decision-making process by the Department of Conservation (DOC), and the Ministry for Primary Industries (MPI) and their associated Ministers. Just as in 2016, we are not waiting to do the right thing.

Our full submission is here http://awsassets.wfnz.panda.org/downloads/option_5_submission_20_08.pdf

MPI Summary Of Sanford's Reported Incidental Catch Data

	SEABIRDS		MARINE MAMMALS ¹	
	2019	2018	2019	2018
Uninjured	83	173	5	6
Injured	3	2	0	0
Dead	164	234	46	71
Total	250	409	51	77
Mortality Rate (%)²	66%	57%	90%	92%

1. For context, Sanford has never harmed a Maui dolphin. Sadly in 2019 one Hector's dolphin was recorded as deceased in our fishing gear.

2. Mortality rate is calculated as the ratio between total species caught and species caught dead.



SANFORD RECORDED
2 notifiable spills
IN 2019 TOTTALLING 10 LITRES

COMPARED TO 4 SPILLS IN 2018
TOTTALLING 49 LITRES



Athletic Achievers

If there was an Olympics for mussels, SPATnz Greenshell™ mussels would be the epitome of the games' motto of "faster, higher, stronger" with one small exception. Higher would be replaced by fatter and therein lies a great story about science, sustainable seafood and the economic potential of working together.

Nelson-based SPATnz (Shellfish Production and Technology New Zealand), with its team of 23, has just completed the final year of a seven-year Primary Growth Partnership research programme. This programme has been a collaboration between Sanford and the Ministry for Primary Industries, with help from science organisations like the Cawthron Institute and AgResearch.

It's a case of nature helped by nurture. In the wild, mussel spat is harvested from Te-Oneroa-a-Tōhē (Ninety Mile Beach), or by hanging ropes in Golden and Tasman Bays. Both sources are unpredictable in terms of supply. Hatchery spat is derived from selectively bred mussels and the high-performing spat goes on to farms to complete its life cycle. Under the programme SPATnz has produced four selective breeding cohorts with close to 100 mussel families in each, building on the foundation work of previous years.

Research has shown that the selectively bred mussels outperform the wild spat. SPATnz Greenshell mussels took on average 16.7 months to grow from seed to harvest size, versus 28.3 months for the weighted average of the wild caught varieties – nearly a year faster.

As well as growing much faster than their wild cousins, the hatchery mussels are reported to be more easily processed thanks to more consistent size and cleaner shells.

The faster, fatter, stronger Greenshell™ mussels produced by the SPATnz team are contributing to Sanford's goal of \$1 of EBIT for every greenweight kilogram of seafood.



Breeding Better Mussels – the story of SPATnz
www.youtube.com/watch?v=gH8N9TL6al4



MUSSEL FACTS

Mussel production numbers, approx. at SPATnz

3 billion
EGGS PER SPAWNING DAY

7.1 million
SPAT PER DAY ON AVERAGE

83 spat
PER SECOND ON AVERAGE



We are selectively breeding by choosing some of the best that nature has to offer to produce our SPATnz mussels. Careful selective breeding can also help future-proof the New Zealand mussel industry against threats like ocean acidification, climate change and disease.

Rodney Roberts
PROGRAMME MANAGER
SPATnz



Programme Manager Rodney Roberts says “we are selectively breeding by choosing some of the best that nature has to offer to produce our SPATnz mussels. Careful selective breeding has the potential to help future-proof the New Zealand mussel industry against threats like ocean acidification, climate change and disease.”

The programme also offers opportunities beyond mussels for nutrition. SPATnz is looking at the potential of enhancing the anti-inflammatory qualities of Greenshell™ mussels with careful selective breeding. This will support advances in our mussel powder business in Blenheim which produces the mussel powder which goes into our Sea to Me inflammation management products.

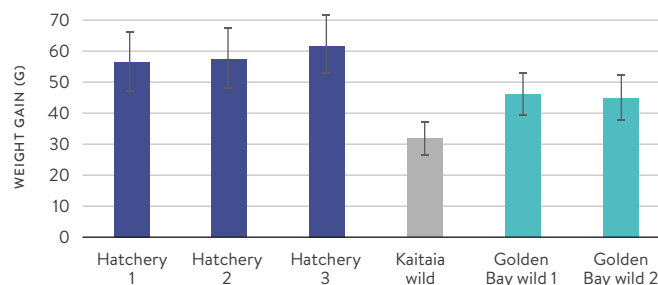
SPATnz has exclusive use of the IP for five years from the completion of the programme. When the research is fully commercialised across the entire mussel sector, a possible increase in GDP of \$193 million per year has been forecast by a BERL report which looked at the potential contribution of this technology to the wider New Zealand economy.

Our stakeholders spoken to for our Materiality review in 2019 told us that they wanted to see us using innovation in our operations (issue ranked seventh in our Materiality Matrix, see page 23). The work going on at SPATnz is one example of that approach in action.



PHOTOS: At top, Karen Davey and Karen Savage monitoring algae bags. Lower image, Hannah Coote at SPATnz.

Weight gain (g) over 20 months at 10 sites in Marlborough



3.1 PERFORMANCE OUTCOME: HEALTHY OCEANS



Sea To Me website
<https://seatome.co.nz/>

Driving Sustainable Fishing



The crew of the San Aspiring are an exemplar of how we work together as fishing crews and with others outside Sanford to ensure we fish in the right way.

On his first deepwater trip, longline fishing for ling, Shane Cottle reckons he was “growing muscles on muscles” with the hard work at the peak of the season on the Chatham Rise, 1,400 kilometres East of Bank’s Peninsula. Seasickness in the first days didn’t help either and he thought his first trip might be his last.

Now, 26 years of experience later, the newly minted skipper of the San Aspiring, is completely at home fishing in the waters of South Georgia and the South Sandwich Islands or in the Ross Sea in Antarctica during the 90-100-day window when the sea ice clears and conditions allow fishing for toothfish.

“Antarctica lies beneath a permanent high-pressure system and on occasion the conditions can be magic. Sometimes you would think you were fishing on a lake. Combine that with seeing incredible wildlife and floating icebergs every day and it’s pretty amazing.”

Also amazing is the view from the bridge when Shane’s highly experienced crew is seamlessly working together. Emphasising in his mind that success at sea is very much about teamwork.

“When you have two experienced guys working at the line hauling station side by side, and you are in my position looking over a line full of fish coming on board, it is pretty impressive watching the communication and skill between them as they together lift each fish on board, hook after hook, making sure everything we do is well within the boundaries of the CCAMLR rules.”



When you have two experienced guys working at the line hauling station side by side, and you are in my position looking over a line full of fish coming on board, it is pretty impressive watching the communication and skill between them as they together lift each fish on board, hook after hook, making sure everything we do is well within the boundaries of the CCAMLR rules.

Shane Cottle

SKIPPER – SAN ASPIRING, SANFORD

CCAMLR is the Convention on the Conservation of Antarctic Marine Living Resources, a group of 25 countries, including New Zealand, who agreed with the European Union to establish a 1.55 million square kilometre Ross Sea region Marine Protected Area in December 2017.

Strict rules allow for bottom longline fishing using hooks and lines which ensures a very low environmental footprint from participating vessels. Sanford can send two long liners into the Ross Sea and Shane says a crew with many years of experience in the fishery is invaluable when they are competing with other vessels for a strictly limited Total Allowable Catch.

“They are very knowledgeable about fish and wildlife identification, bird mitigation, and the MARPOL (the International Convention for the Prevention of Pollution from Ships) requirements to prevent marine pollution.”



Antarctica lies beneath a permanent high-pressure system and on occasion the conditions can be magic. Sometimes you would think you were fishing on a lake. Combine that with seeing incredible wildlife and floating icebergs every day and it's pretty amazing.

— **Shane Cottle**
SKIPPER – SAN ASPIRING
SANFORD

PHOTO: Shane Cottle in the wheelhouse, San Aspiring

The fishing is overseen by two independent scientific observers and an Electronic Monitoring system, also independently monitored, records all hauling, fish tagging and setting of gear, with an infrared camera capturing night work.

Our vessels also contribute to research in the Ross Sea with *San Aspiring* tagging and releasing 343 fish last season. A special research zone within the Marine Protected Area acts as a reference zone for monitoring natural variability in the fish stocks, including long term changes.

Shane says fish size is a key indicator of fish stock conditions and the vessels are getting good catches of fish within a consistent size range.

Toothfish is a prized catch, loved by chefs for its flavour and ease of cooking. In the 2019 financial year, our catch contributed \$22.9 million of revenue compared to a \$27 million contribution in 2018.



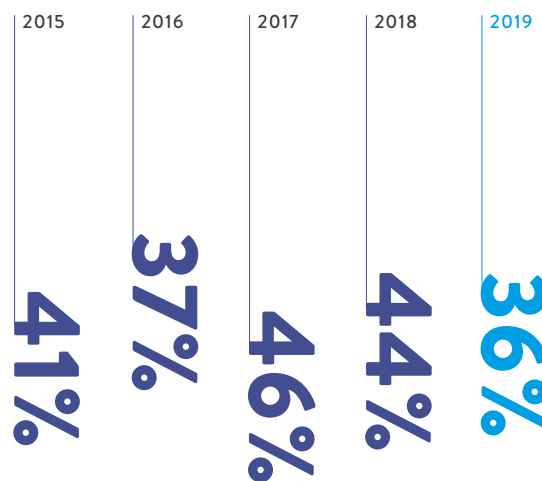
Sustainability is a key theme that will drive every single part of the seafood industry in the next 10–20 years. Being on the right side of it will be important. Sanford is doing a great job.



Øyvinn Rimer
DIRECTOR, SENIOR RESEARCH ANALYST
HARBOUR ASSET MANAGEMENT



Wild caught MSC certified catch¹



1. Based on Sanford's total wildcatch (by GWT) for 2019. Deviations reflect fluctuations with seasonality, annual catch entitlements, species composition and climate events such as El Niño/La Niña.

OUR QUOTA: HOW DO WE USE IT?

SANFORD IS NZ'S SECOND LARGEST
- QUOTA HOLDER -

19%¹

2018: 22%

7

PROCESSING SITES
INCLUDING JOINT
OPERATIONS

2018: 8

595

INDEPENDENT
SHAREFISHERS

2018: 621

15

DEEPWATER &
INSHORE VESSELS

2018: 22

313²

FISH STOCKS
2018: 313

87²

SPECIES
2018: 87

HOW HAVE WE PERFORMED?

TONNES OF FISHMEAL
AND OIL PRODUCED

10,084

2018: 11,184

WILDCATCH GREENWEIGHT
TONNES

90,351³

2018: 92,612

1. Quota ownership based on New Zealand annual catch entitlement (ACE) equivalent
2. Figures relate to Sanford's New Zealand quota only
3. Total wildcatch GWT comprises Sanford fleet, including contracted ACE fisher's landings



Our future focus

MATERIAL ISSUES & STRATEGIC GOALS	2020 TARGETS	OUR 2025 VISION
<p>Sustainable Fish Stocks, marine farms and marine conservation</p> <p>Comply with all applicable laws and regulations governing our operations, including relevant international conventions, recognising the importance of healthy ocean and farming management.</p>	<p>All fishers to continue to record and report their catch to ensure maximum transparency of the fish stock status and to comply with all fisheries and marine regulations at all times. Key target is no prosecutions.</p> <p>Continue engaging with New Zealand's Deepwater Group and Fishing Inshore NZ such that the industry collaborates to ensure the health of NZ fish species managed under the QMS. Actively engage with our regulators and publish submissions on proposed legislation as the opportunity arises.</p> <p>Maintain third party certifications across Sanford aquaculture farms, validating our commitment to farm efficiently and deliver sustainable seafood.</p> <p>Positively participate in all New Zealand stakeholder audits (for example QMS, environmental and MOSS related), with the target of achieving clean audit findings. Where recommendations are made, put in place improved processes, controls and reporting structures to ensure all recommendations are actioned.</p> <p>Support MSC sustainability certification for deepwater species in New Zealand's Exclusive Economic Zone.</p>	 <p>Sanford continues to play a key and influencing role within the NZ fishing and aquaculture industries to support the sustainable management of fish stocks and marine farms.</p>
<p>Endangered, threatened and protected species</p> <p>Ensure protection of marine species, including seabirds, sea lions, dolphins and sharks through delivering best practice farming and fishing practices, implementing protection measures and participating in ongoing robust research programmes.</p>	<p>Continuous improvement in the protection of marine species, reducing fatal interactions.</p> <p>Work with WWF and Moana New Zealand to support more detailed work improving understanding of the financial and fisheries management issues associated with transitioning from set-netting and conventional trawling. While we believe that this should be led by MPI, we commit to engage constructively and proactively in these discussions.</p>	 <p>Sustained continuous improvement in the protection of marine species.</p>
<p>Environmental Effects</p> <p>Focus on having no adverse impact on the environment when carrying out our business operations, avoid pollution or contamination of land, air and water and enhance the environment in which we operate through sound management and mitigation.</p>	<p>Maintain certification to the updated ISO 14001:2015 EMS standard across all of our operations.</p> <p>No abatement notices across the group.</p> <p>Appropriately and sufficiently resource the environmental team to ensure a robust management process is consistently applied across the business in order that legal compliance is met and that all critical environmental risks are identified, monitored and mitigated.</p> <p>Launch and successfully implement new software for capturing and reporting environmental data. This will facilitate the measurement of non conformance of environmental KPIs and will provide clarity of actions and improvement areas for management to remedy. Additionally, the new system will provide an initial bench mark for key KPIs going forward from 2020.</p>	 <p>Sanford's limited impact on the environment is regarded as best practice.</p>

Resource Utilisation and Efficiency

Do more with less by maximising efficient use of resources and ensuring waste minimisation, re-use and recycling.

Achieve year on year water intensity improvements at all land-based processing sites when compared to total sales by site (Litres/Sales \$).

Reduce the core energy intensity at our land-based processing sites relative to 2019 (MJ/Sales \$).

Improve on the 2019 waste diversion rate across all of our operations, targeting plastic waste streams as a key priority to reduce.



Sanford where practicable, fully utilises all materials and reuses, recycles or where necessary, disposes of, in a sustainable manner.

Carbon reduction and offsetting

Demonstrate our commitment to climate change responses by actively reducing our energy consumption and emission of greenhouse gases and seeking to introduce low carbon solutions into our value chain, where practicable.

Reduce our net carbon emission intensity year on year across all of our operations comparing CO₂ per kg relative to revenue (CO₂-kg/ Revenue \$).

Use fewer giga watt hours of energy year on year across all land-based operations.



Sanford strives to be carbon neutral.

These targets for 2020 have been informed by Sanford's strategy, Global Reporting Initiative (GRI) Sustainability Reporting Standards and a review of international guidance¹ on business commitments to support achievement of the UN Sustainable Development Goals.



1. GRI and UN Global Compact 2017: *Business Reporting on the SDGs – An Analysis of the Goals and Targets*.



CREATING A SAFE AND HIGH PERFORMING WORKPLACE

We strive to become an employer of choice by delivering industry leading safety risk management, ensuring a culture of high performance and growth and by living our values.



PHOTO: Anna Larmer talks to Marie McDonald in Bluff

3 GOOD HEALTH AND WELL-BEING



Ensuring healthy lives and promoting wellbeing at all ages is essential to sustainable development. From a global perspective our workforce are relatively healthy and well, but there are always opportunities to add value to our people over and above our economic contribution. As a key material issue to our business, the health, safety and wellbeing of our people, as well as those in our supply chain, represent key focus areas that we are actively working on.

4 QUALITY EDUCATION



Continuous investment in our people is critical to ensure that the business is always learning. We invest in our people from the frontline, through vocational training and formal qualifications, through to our company-wide talent pool for senior management, who are deepening their understanding of leadership and personal development. Due to our active commitment towards education, we are enriching the lives of our people as well as adding value to the business.

8 DECENT WORK AND ECONOMIC GROWTH



Sanford can improve the economic outcomes of local communities through the jobs we create (particularly in the areas that would otherwise have limited employment opportunities) and the associated local employment through the supply chain. It is critical that all work is safe; our people's wellbeing is very important to us. The growth targets Sanford has for the future are aimed at contributing toward this outcome.

17 PARTNERSHIPS FOR THE GOALS



Sanford works in partnership with our stakeholders to ensure that we provide sustainable outcomes for our people. Our partnerships, help us protect our people from risk and ultimately work to create a high performing culture. By collaborating with stakeholders, we can shift the dial in the areas where we can make the most difference to our people.



CREATING A SAFE AND HIGH PERFORMING WORKPLACE
TOGETHER

All our people contribute every day to our performance. At sea, on the land, in our local and international markets - people make up the chain which delivers sustainable seafood to customers and consumers. Conditions at sea are often demanding, processing requires precision to preserve perfection and customers and consumers expect nothing but the best – we do not underestimate the responsibility and work required.

Our values are care, passion, integrity and achieving together, and our actions as employers, employees, sharefishers and partnering contractors must work to reflect those values. The health, safety and wellbeing of our people is the number one issue identified by internal and external stakeholders as part of our Materiality process outlined in the opening section of this report and is one of the top three issues in our Enterprise Risk Matrix.

Through our focus on a Just Culture (outlined in this section), our constant attention to health and safety and our determination to fully engage our people, we aim to show every one of them that they matter and we can achieve more together.



Material issues and value creation

This table summarises Sanford's material issues relating to *creating a safe and high performing workplace*, the strategic goals defined through our Business Excellence Framework, our targets for 2019, and our progress against these targets in contributing to value creation. At the end of this section, we also define our future targets and vision to 2025.







MATERIAL ISSUES & STRATEGIC GOALS	2019 TARGETS	PROGRESS AGAINST TARGETS
Safety and Health Through the way we work and behave, and the initiatives we implement to continually enhance our work environments, we will take all practicable steps to protect our people from the risk of harm, whether it be operational or occupational injury or ill health.	Continue to increase and monitor near miss reporting, utilising learnings to inform and reduce risk profiles, closing out 75% by year end.	 Achieved. Raised 674 Health and Safety System Improvement Notices (SINs), of which 62% were closed out as at 30 September 2019. 37% increase in near miss reporting to 515 (FY18: 376).
	Implement Safety and health focused training across all levels of Sanford operations.	 Ongoing. The training programme was rolled out across all levels of the business, delivering 824 hours of frontline leadership training in FY19 – general safety and health management and Just Culture.
	Continue to build on the SanWell wellness programme at all Sanford sites.	 Ongoing. Implementation on the majority of sites. This year Timaru achieved gold certification, Tauranga is working towards achieving silver and Bluff achieved bronze and Auckland continues to work toward Bronze. The programme also supported the national campaigns to generate greater awareness of anti-bullying and mental health.
	Achieve a tertiary status in the Accident Compensation Corporation (ACC) Partnership Programme.	 Achieved.
Developing Our People Create a high performance culture where every one of our people is skilled, empowered and engaged in contributing to the goals of the business and reaching their full potential.	Extend and embed Sanford's learning and development framework to increase capability and engagement in business and achieve recognition as a high performing business and employer of choice.	 Ongoing: In 2019 a further 13 people graduated from our Keeping it Fresh literacy and numeracy programme improving their ability to understand communication across the business and contribute their best in team meetings. 151 front line team leaders and supervisors graduated from the <i>San Ignite</i> programme and 60 vessel officers and functional managers graduated from the San Activate programme, building on their ability to lead themselves and their team.
	Strengthen workforce planning with a focus on succession planning across the business.	 Ongoing. Succession plans for the senior leadership group are now in place and the next tier under development.
Strengthening our Workplace Culture Build a culture of high engagement and performance across our workforce to optimise people and business outcomes.	Achieve 10% annual improvement in engagement across the business each year.	 Achieved: After an extensive investigation as to the most appropriate and best suited engagement survey platform to use across the Sanford group, it was determined that the Peakon survey would be used in 2019. The team are extremely proud that engagement has been measured at 72%, acknowledging that there is still plenty of room for improvement in this key measure of workplace culture.



PHOTO: Stephen McDougall and Toa Mangu in Bluff

Just Culture at Sanford

To be the best seafood company in the world we must also be the safest. We are building a leadership driven health, safety and wellbeing culture where all of our people are actively engaged in monitoring and strengthening our safety culture. To this end, we have commenced the roll out of our Just Culture programme, starting with our senior leaders and the Operations team.

Between April and September, 103 leaders in Operations have received a total of 824 hours of training, with further courses scheduled for the new financial year.



824 hours

OF TRAINING, FOR 103 LEADERS
IN OPERATIONS

Supporting our Just Culture model are risk management systems and procedures to protect people from harm and a commitment to ensuring people are treated in a consistent, fair and equitable manner when mistakes are made. We accept that people make mistakes but we have an obligation to ensure there are controls in place, with the goal of preventing mistakes from happening.

In the event of an incident, a thorough investigation of what went wrong and why, carried out by a leader on site who is trained as an independent investigator focuses on identifying the organisational factors that could have contributed to the incident. The report that follows includes next steps which are fair, practical and designed to prevent further incidents. It is a system well proven in fields like aviation and medicine where mistakes can be fatal and mitigating risks requires people to confidently report incidents, behaviours or system failures.

Sanford's Chief People Officer, Karen Duffy says a Just Culture understands that good people make mistakes, sometimes through errors, and sometimes because systems and processes are not as good as they could be.

"It also recognises that people may also do something wilful or reckless and they could break health and safety rules, which creates the potential for harm to themselves and to others.



Just Culture at Sanford
<https://youtu.be/KIMf55B2peU>



“The independent investigation ensures we have a thorough process which everyone understands and through which the root cause of an incident will become clear. We also seek clarity as to what happened, who is accountable and why. If it is genuine human error, then our leaders are accountable for coaching and mentoring. If our processes need changing, then accountability also remains with us. But if behaviour has been reckless, there will be times when more serious disciplinary action may follow.”

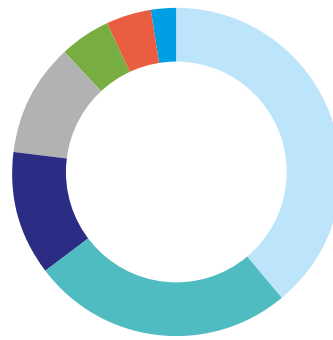
In a Just Culture good data is crucial. Work has begun on an upgrade in our health and safety database as another keystone in our safety management system. This will improve our reporting and investigation, audits, risk management, recognition and promotion. This will support embedding this important culture change.

Included in the new system will be a game-changing tool for near miss reporting. It enables workers to log in from their mobile phone, answer a series of simple questions and then leave it to the software to turn their voice mail into a written incident report. It is simple to use, but sophisticated in its design. By removing barriers to reporting such as complex forms, literacy limits or on the job time pressures, it enables a rich database of near misses to be built, enabling our health and safety team to plot trends or identify hot spots and mitigate risks.

“A key part of the success of this programme is our ongoing commitment to effective safety leadership and accountability,” says Karen. “This is not just something that comes with a particular job title or role, it means having all our people prepared to lead the way.”

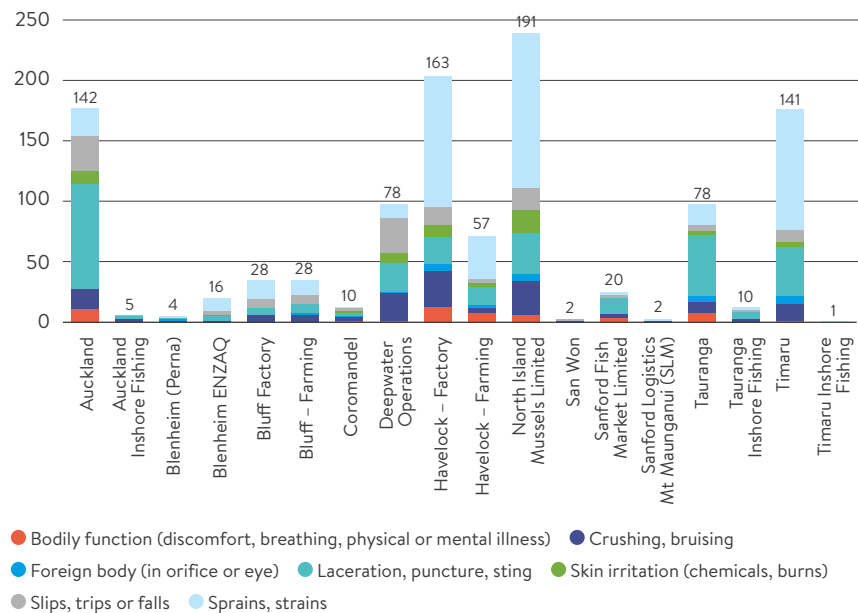
We are seeing this happen now at Sanford. Our people tell us they are more prepared to speak up. Many of our team meetings now start with a team member sharing a safety conversation and this in turn is focusing our minds on prevention, key to protecting our people in all parts of the business now and in the future.”

Total number of injuries by type



TYPE OF INJURY	TOTAL NUMBER OF INJURIES	
	2019	2018
Sprains, strains	380	327
Laceration, puncture, sting	253	324
Crushing, bruising	120	126
Slips, trips or falls	108	105
Skin irritation (chemicals, burns)	49	29
Bodily function (discomfort, breathing, physical or mental illness)	42	29
Foreign body (in orifice or eye)	24	30
TOTAL	976	970

Type of injury by site



- Bodily function (discomfort, breathing, physical or mental illness)
- Crushing, bruising
- Foreign body (in orifice or eye)
- Laceration, puncture, sting
- Skin irritation (chemicals, burns)
- Slips, trips or falls
- Sprains, strains

CONTRACT TYPE	TOTAL 2019 (2018)	FEMALE 2019 (2018)	MALE 2019 (2018)	GENDER UNDECLARED
				2019 (2018)
Permanent Full-Time	865 (927)	37% (38%)	63% (62%)	–
Permanent Part-Time	22 (42)	59% (57%)	41% (43%)	–
Fixed Term Full-Time	58 (42)	64% (40%)	36% (60%)	–
Fixed Term Part-Time	2 (1)	100% (100%)	0% (0%)	–
Casual and Seasonal	65 (72)	46% (43%)	54% (57%)	–
Independent Sharefishers	585 (621)	12% (11%)	88% (86%)	1% (2%)
Total workforce	1,597 (1,705)	29% (29%)	70% (70%)	1% (1%)

Steffan Stewart
1992 – 2018



Losing Steffan Stewart

The first half of our financial year 2019 was marked by the sad loss of crew member Steffan Stewart in a tragic accident on board San Granit on 14 November 2018.

Losing Steffan had a significant personal impact on his crewmates and colleagues throughout the company and we continue to remember and think of him.

The Transport Accident Investigation Commission opened an inquiry into the accident and its conclusion is pending. Maritime New Zealand has also investigated and is reviewing the legal issues in relation to the accident.

While extensive work had been undertaken on the San Granit to regulatory and internal safety requirements prior to launch in New Zealand, we removed the vessel from the fleet for three months and undertook a further highly detailed risk analysis of all factory equipment and processes after the accident.

In February the vessel returned to service with enhanced safeguards in place. We believe we are in the process of setting a new industry standard for factories on board vessels.

Engaging our People



To be the best seafood company in the world takes all of us making a difference to create a safe and high performing workplace. This requires every individual and team across our business working collaboratively in a way that demonstrates our values every day and works towards our shared goals.

In 2018, our engagement scores were lower than we would like, but there was also a disconnect with what we were hearing across the business. Many of our people were telling us in person that they were proud to work for Sanford, yet in 2018, our engagement score sat at 51%.

In 2019, we wanted data that would give us more opportunities to improve with better information, technology and action. To do this we switched survey providers to global firm PeakOn.

The new format gave us the opportunity to engage all our people with more online technology giving us confidential and real time information. As a result, participation increased to 62% (versus 57% in 2018) and informal feedback was largely positive about the new process.

GM Human Resources, Rebecca Stewart believes the results give us plenty to celebrate and work with.

“While it is not possible to directly compare engagement rates between the two surveys, we were delighted to see a headline number of 72% for engagement in 2019. This certainly fits better with the anecdotal feedback we get regularly from our people. We are also getting great direction from this new methodology about the areas we need to address. We know we need to better explain our strategy to all Sanford people and help them understand what it means for them, we also need to focus on showing more care and management support across all parts of the business. To do this, we can leverage a strength demonstrated in our Engagement Survey where the importance placed on workplace safety by our people was in the top 10-percent of the global data base for our survey provider.”

“We are currently rolling out these findings across the business through leader workshops and team action planning. We are confident this investment in our people will build a safer and high performing workplace culture delivering better outcomes for all.”



Talking About Together

SANFORD OFFICERS' CONFERENCES

In our business, together often means “together alone”, with the crews on some of our vessels at sea for six-week stretches or longer, remote from their land-based colleagues and even more remote from personal contact with our senior leadership team.

Yet our skippers, senior engineers, first mates, second mates and factory managers represent hundreds of years of skill, experience, knowledge and often gut instinct that are integral to achieving our vision to be the best seafood company in the world. But tied up vessels don't catch fish, which is why our scheduling ensures we have crews out fishing year-round. That makes connecting with this wisdom more challenging.

But a good idea from the deepwater team led by Chief Operating Officer Clement Chia saw them organise two separate inaugural two-day Officers' Conferences, enabling ideas to flow on land while fish is also being caught at sea. The conferences connected 60 vessel-based officers with shore-based vessel managers, quality, HR, health and safety and engineering staff from the deepwater team and members of our Head Office leadership team.

“Having the opportunity for our on-water leaders to talk in this forum is a game-changer. It goes to so many of the top material issues Sanford is focused on, including health and safety, food safety and quality, the environment, our social licence and making Sanford a world-class employer,” says Clement.

Deepwater Fleet Manager Darryn Shaw says land and sea based teams rarely get to connect and while skippers often talk across the vessels communication networks, face-to-face discussions away from the business of port calls are rare.

“We discussed everything from safety to crewing issues, fishing technology and bird harm mitigation. We also saw a lot of sharing of ideas and information about challenges skippers have faced on their vessels and how they have come up with solutions which work for them. Bringing speakers from the environmental group WWF also gave us another perspective and we are grateful to them.

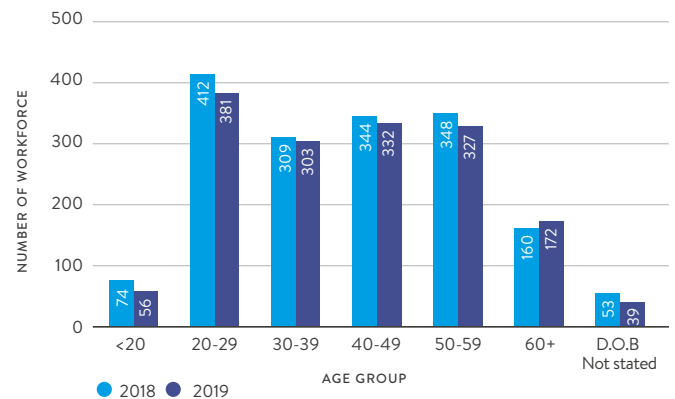
“The officers told us they could finally see the end-to-end strategy and understand their place in it. Everybody got a better understanding of new value-adding areas like nutraceuticals and how the raw material they bring in feeds into this exciting new part of the business. It was very powerful for the guys to have that level of interaction among themselves and the leadership team.”

Importantly, ideas generated through the conferences are now being worked through in key areas like recruiting and retaining crew and the constant quest to be better. Future Officers' Conferences are on the cards, now the inaugural get togethers have shown their value.



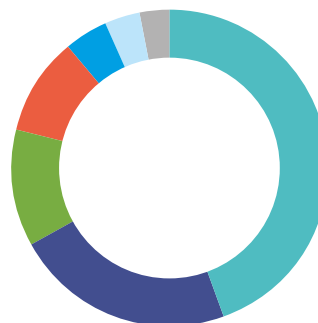
PHOTO: Attendees at one of Sanford's 2019 Officers' Conferences held in Christchurch

Our workforce in age groups¹



1. Based on annual quarterly averages.

Our workforce in ethnic groups



In all my years fishing that was a first time experience for me, especially as there was a wide range of people involved throughout the company. I left there feeling confident about our future in the industry despite all the challenge's we all face.

Bert Aitken
TENGAWAI SKIPPER



The Introduction of Toolbox Toolkits

Communication is key to culture change. When you have 1,597 people across the country and on the ocean, getting the same level of information to everyone, everywhere, is a challenge.

All our people matter, and they need to know that. Every one of them can make a difference to the quality of our product and the way we interact with the environment. They also need to know who their more distant colleagues are and what they are doing in every corner of Sanford. Then they can see they're part of a diverse organisation with many different roles all linked together and learning from each other to bring beautiful New Zealand seafood to consumers and customers.

Our executive roadshows meet our teams twice a year and our fortnightly Volker's News shares stories across the business. Both are well received, but what our people also want is video and lots of it.

This year we've produced dozens of three-to-four-minute video updates and stories for use weekly at the regular toolbox meetings held across the business. The programme is called the Toolbox Toolkit. Team leaders pick up new content from our Dropbox, load it onto an iPad and screen it to their teams. Filming, editing and scripting is a lot of work, but it's worth the effort.

Sanford's GM of Corporate Communications, Fiona MacMillan says "the payback is seeing more and more people understanding our values, why health and safety is so essential, the importance of food safety and quality and the roles and responsibility across our teams. People understand more about the way we work and why, so they feel part of a greater whole. Having a shared vision was a material issue ranked in our top ten by the stakeholders in our Materiality Matrix process and this programme addresses that."

The resources we are creating have multiple uses. They are also available for induction programmes, recruiting and presentations.

In the coming year the Communications team will move from producing all the stories themselves to having our people contribute their own footage and stories. There are promising opportunities to share ideas, which can help us all work together to do a better job.



Sanford Havelock Night Cleaning Team – Meet the Teams
www.youtube.com/watch?v=vQ3yELRGFTI



PHOTO: Patricio Pita and Arleen De Veyra share a Toolbox Toolkit video in the Auckland factory



We love the Toolbox Toolkits. They give us a chance to see and understand what is happening in parts of the business we don't have access to. It's great to see everyone doing their bit to make us the best seafood company in the world.



Bobbie Hanlon
 PAYROLL MANAGER, SANFORD

STAFF MOVEMENTS

Voluntary turnover during 2019 was 19% across the total workforce (FY18: 21%); involuntary turnover was 9% (FY18: 5%); and absenteeism averaged 6% across the group (FY18: 4%).

GENDER	VOLUNTARY TURNOVER 2019 (2018)	INVOLUNTARY TURNOVER 2019 (2018)	TOTAL TURNOVER 2019 (2018)
Female	75 (77)	35 (16)	110 (93)
Male	104 (120)	48 (35)	152 (155)
Total	179 (197)	83 (51)	262 (248)

AGE GROUP	VOLUNTARY TURNOVER 2019 (2018)	INVOLUNTARY TURNOVER 2019 (2018)	TOTAL TURNOVER 2019 (2018)
Under 20	14 (17)	3 (3)	17 (20)
20 to 29	69 (63)	15 (23)	84 (86)
30 to 39	22 (37)	12 (5)	34 (42)
40 to 49	26 (43)	16 (6)	42 (49)
50 to 59	34 (28)	12 (8)	46 (36)
60+	13 (9)	26 (6)	39 (15)
Total	178 (197)	84 (51)	262 (248)






OUR PEOPLE WORK HARD

TOGETHER

FOR EACH OTHER,
THEIR WHĀNAU AND THE
NEXT GENERATION.
THANK YOU.

PHOTO: From top centre right, clockwise, Melelatai Naipuka, James Pinto, Christopher Wright, Sophar Rach, Julia Dean, Bryan Hjoring, Shane Tremaine, Alma Beswarick, Janica Willaver, Dave McCaveney, Darryl Mateha, Gail Swanepoel, Rodney Roberts, Jasyn Goldsmith and Daniel Meagher

Our future focus

MATERIAL ISSUES & STRATEGIC GOALS	2020 TARGETS	OUR 2025 VISION
<p>Safety and Health</p> <p>Through the way we work and behave, and the initiatives we implement to continually enhance our work environments, we will take all practicable steps to protect our people from the risk of harm, whether it be operational or occupational injury or ill health</p>	<p>Deployment of a robust safety management system whereby the pillars of safety policy and planning, risk management, assurance and engagement are successfully embedded across the organisation.</p> <p>Launch and successfully implement new software for capturing and reporting safety and health data. This will facilitate effective risk management, the measurement and recording of KPIs, together with any non-compliance, providing clarity of actions and assurance of the effectiveness of the risk and safety management plan.</p> <p>Reduce our year on year total recordable incident frequency rate by 5% in line with the Governments 2020 safety strategy.</p>	 <p>Consistent and effective risk management that minimises the risk of harm to our people to achieve our aim of being the safest seafood company in the world.</p>
<p>Developing Our People</p> <p>Create a high performance culture where every one of our people is skilled, empowered and engaged in contributing to the goals of the business and reaching their full potential.</p>	<p>Develop and deploy 2020 learning and development plans to build on our current leadership programmes and broaden management capability to meet our growing business needs.</p> <p>Strengthen workforce planning with a focus on improving the succession plan across the business.</p>	 <p>Sanford people are able to develop and achieve to their full potential through active engagement and application of learning across our learning and development framework. Our people strive for high performance personally and for Sanford.</p>
<p>Strengthening our Workplace Culture</p> <p>Build a culture of high engagement and performance across our workforce to optimise people and business outcomes.</p>	<p>Deploy people and culture strategy and initiatives to achieve year on year improvement in engagement across the business.</p>	 <p>Sanford is a business that people want to join and thrive in. Our people are highly engaged in the business and we are widely recognised in the industry as a true leader and employer of choice.</p>

These targets for 2020 have been informed by Sanford’s strategy, Global Reporting Initiative (GRI) Sustainability Reporting Standards and a review of international guidance¹ on business commitments to support achievement of the UN Sustainable Development Goals.



1. GRI and UN Global Compact 2017: Business Reporting on the SDGs – An Analysis of the Goals and Targets.



LEADING THE WAY TO HEALTHY FOOD AND MARINE EXTRACTS

We will lead the way in driving sustainable performance across our value chain and positioning our brand as the industry partner and supplier of choice.



Sanford supports the health of its customers and consumers in New Zealand and around the world. We work in partnership with our stakeholders to ensure that we responsibly consume and produce seafood; there are many examples in this section to highlight how Sanford is working towards responsible seafood consumption and production.



Careful management of the ocean is critical to Sanford's sustainable success in delivering value to its stakeholders. Our goal of leading the way in healthy food requires us to constantly consider our impact on the oceans and Sanford is actively looking for ways to minimise its environmental footprint, and continue toward sustainable ocean management both locally and globally.



Partnerships are vital to Sanford achieving our quality and sustainability goals. To be the worldwide seafood brand of choice and a world class supply chain, we collaborate with key stakeholders to ensure our unique position for full product provenance is realised. Our partnerships bring us closer to our goal of being recognised as a global leader in safe and sustainable seafood.

LEADING THE WAY TO HEALTHY FOOD AND MARINE EXTRACTS
TOGETHER

This year we harvested and sold 146 different seafood species. This biodiversity reminds us, with every catch, of the richness and value of resources we have available to us. As we intensify our efforts to increase the value we achieve from every greenweight kilogram, we have two clear work streams.

The first is simply perfection on a plate – ensuring that everything we do maintains the just-caught quality of our seafood. The second is to create and grow new revenue opportunities through marine extracts, nutraceuticals, and other products which can benefit hearts, lungs, joints, muscles and connective tissues. These two strands of work interweave with our determination to make the most of every fish or shellfish we harvest, both in terms of value and of sustainability.

Our customers and consumers want to know our seafood is the best. So do our stakeholders and they told us so in our conversations with them conducted as part of the Materiality Assessment process, detailed on page 23. Our values mean we would not be happy with anything less.

3.3

PERFORMANCE OUTCOME:
HEALTHY FOOD AND MARINE EXTRACTS



Material issues and value creation

This table summarises Sanford's material issues relating to *leading the way to healthy food and marine extracts*, the strategic goals defined through our Business Excellence Framework, our targets for 2019, and our progress against these targets in contributing to value creation. At the end of this section, we also define our future targets and vision to 2025.

MATERIAL ISSUES & STRATEGIC GOALS	2019 TARGETS	PROGRESS AGAINST TARGETS
Food Safety and Quality Be recognised as a global leader in providing safe, high quality marine sourced products that exceed our customers expectations on a consistent basis	Engage with customers through a quality satisfaction survey annually, achieving year-on-year improvement in results.	Achieved. The survey was completed by 23 customers; 100% of customers rated the quality of Sanford's products high or very high, and 87% of customers rated the quality of customer service positive or very positive, with 4.3% rating satisfaction as neutral.
	Year on year improvement in the number of customer complaints received in respect of food quality.	Not achieved. 162 customer food quality complaints received (62% justified) relative to 133 received in 2018 (56% justified).
	Maintain FSSC 22000 in all land-based processing sites by February 2018, with no more than 5 major non-conformances.	Achieved. 100% of Sanford's land-based sites have maintained certification. This year we had FSSC 22000 audits in Bluff, Tauranga, Auckland Head Office and Auckland factory. We continue to standardise and consolidate systems across the Company.
	Maintain Ministry for Primary Industries (MPI) Performance Based Verification (PBV) audit step 6 for all RMP sites and step 3 for limited processing vessels.	Achieved.
	Ensure no food safety product recalls.	Achieved. No food safety product recalls occurred.
Supply Chain Moving products between Sanford, its suppliers and customers in order that customer requirements are consistently met or exceeded.	Continue to embed the sales and operational planning process (S&OP) and distribution strategy to increase the variety and value of fresh products into the market.	Achieved. Managing supply chain planning through capturing timely forecasts, broadening the forecast portfolio and improving tools and processes. S&OP now actively coordinates several parts of the value chain and synchronises plans across business functions.
	Create a cultural change within the business to better align supply and demand to meet customer expectations.	Ongoing. There has been company-wide change in mindset, with cross-functional people actively coming together to share information and design collaborative solutions to align supply and demand. Further systems development and implementation in FY20 will support this goal.
	Contribute to the bottom line by achieving hard cost savings through procurement projects, cost avoidance and by introducing new efficiencies into the business.	Achieved. Management have renewed several key supply contracts in the year which has ensured that the business is paying competitive market pricing and agreed clear supplier KPIs to ensure the optimisation of key supplier accounts.
	Achieve inventory improvement by optimising stock levels.	Achieved. 14% reduction in the quantity of aged inventory from end of Sept 2018 to end of Sept 2019. The Year on Year improvement of the average DIFOT across 2019 v 2018 is 7.9%
	Focus on processing sites as centres of excellence.	Achieved. Sanford completed its South Island project to set-up the Bluff processing facility as a centre of excellence for salmon, Timaru for white fish and Havelock for mussels.



PHOTO: Pavani Myakala and Kate Wilkie at the Sea To Me display in the Auckland Fish Market

Seeking Value from Innovation and Branding

Through late 2018 and early 2019 Sanford launched the Sea To Me brand making our Greenshell™ mussel capsules available on an e-commerce platform, a first for a company that's been in business since 1904.

In peak, plump condition, Greenshell™ mussels are the definition of delicious and they're also nutritious, as a great source of protein and omega-3 fatty acids.

With the November 2018 launch of our Sea To Me nutraceuticals brand, we have taken them from table to tablet to provide consumers with nutritional support for the joints, muscles and connective tissues and with inflammation management.

Trust and transparency are the powerful values behind the Sea To Me brand and they start with the mussels themselves. Most come from our Marlborough farms, with a traceable supply chain through to Blenheim and then to the final retail pack. At Blenheim, our mussel powder operation creates a high quality powder from some of the best quality mussels, using a proprietary flash drying process.

The powder is encapsulated for our Sea To Me inflammation management product and is also sold to selected customers as an ingredient.

Sea To Me Senior Brand Manager, Kate Wilkie, says the coming year will see the brand move into retail channels such as pharmacies, following its initial launch through e-commerce.

“Consumers purchasing online can buy our capsules by subscription. In line with our trust and transparency value, our subscription model offers a free trial. Product efficacy is key for us and it is easy to build trust with the consumer when they experience the benefits themselves. Consumer feedback to date has been very positive.”

Our research partnership with the Cawthron Institute is working to provide even better evidence of the health benefits of Greenshell™ mussels (GSM), including their anti-inflammatory properties. Regular anti-inflammatory assays of our products are undertaken as a measure of bioactivity, along with continuous monitoring of quality and safety.

The team has already measured the health-promoting characteristics of GSM over an annual cycle, so we better understand the potential for developing premium mussel products with more benefits to the consumer. New analytical techniques for measuring the composition of mussels will help us consistently harvest them at the peak time to capture the greatest benefits.



Sea to Me – video
www.youtube.com/watch?v=3zFVSb5UxOA



Thanks to our SPATnz team we now have reliable access to Greenshell mussel spat which produces faster growing mussels and also means continued access to a high quality and sustainable source of our raw ingredient. It's a great example of how we're better together.

Other Cawthron work is focused on the potential for Greenshell™ mussels to help in the management of metabolic health, inflammation, bone loss and cartilage breakdown.

The research also has support from the government's High Value Nutrition programme, given the potential to transition mussels from a simple commodity protein to value-added functional food products or ingredients.

Sea To Me has opened up new value-adding revenue opportunities and in the new financial year two more products will be launched within the brand portfolio and new international markets explored for entry. The bounty of the sea, sourced in our waters and processed here, will always be at the heart of the brand.

Mussel powder for
1 million capsules

ON AVERAGE ENOUGH MUSSEL POWDER IS PRODUCED PER DAY TO FILL 1 MILLION SEA TO ME CAPSULES.



I gifted my Mum a sample and she tells me she is now running - no longer has sore knees, the discomfort in her fingers has drastically improved. She no longer wears a brace for her fingers and she credits it all to your product! I thought this was awesome, my Mum used to be an avid runner but had to stop about 10 years ago due to joint pain/knee issues and now she's back jogging 4-5 km at 69 years old.

—
Emma Taylor
 CUSTOMER TESTIMONIAL

Thanks to our SPATnz team we now have reliable access to Greenshell mussel spat which produces faster growing mussels also means continued access to a high quality and sustainable source of our raw ingredient.



PHOTO: Eugene Zhang at SPATnz in Nelson



Marine Extracts for All



PHOTO: Andrew Stanley and Sabrina Tian in Blenheim

3.3 PERFORMANCE OUTCOME: HEALTHY FOOD AND MARINE EXTRACTS



The fish and seafood we harvest and process each year is packed full of nutrients. So are the parts that don't make it to a plate - and the last thing we want is for waste to be a wasted opportunity.

While by-products, like fish meal, have earned steady returns, our innovation strategy recognises we have a resource rich in nutritional ingredients and bioactives. We know from our work that we can produce valuable new products for every body – whether that body is old or young.

Collagen-rich hoki skins have changed thinking in skincare, through our collaboration with Revolution Fibres and Plant and Food's Seafood Research Centre. We extract the collagen, with its high water solubility, and turn it into a freeze-dried powder with the help of the smart minds at Plant and Food. This is then mixed with natural skincare bioactives and spun into a delicate fabric by Revolution Fibres. The ultra-thin masks are 100% bioactive, penetrating deep into the skin almost instantly and are being sold in New Zealand, Australia, Singapore, Hong Kong and Korea under the ActivLayr™ brand and other local brand names.

“Our innovation strategy is focused on creating new value opportunities with strong links to sustainability,” says General Manager Innovation, Andrew Stanley.

“We want to make the most of the advantages we have through our vertical integration alongside our strong capabilities in science and technology. That includes investing in innovative technologies, market-led food product development and meeting the needs of new markets with innovative products such as marine extracts.”

He says research collaborations across all areas from fishing to mussel breeding all create sustainable value and Sanford has a strong commitment to ensuring that products like nutraceuticals are soundly supported by credible, published science.



Nano-fibre collagen

125,000km

A SINGLE NANO-FIBRE COLLAGEN STRAND (150NM WIDE) FROM ONE HOKI COULD STRETCH 125,000 KM, WHICH IS THREE TIMES AROUND THE WORLD, IF ELECTROSPUN INTO A SINGLE CONTINUOUS NANOFIBER STRAND.

INVESTMENT FOR QUALITY

Investing in innovative technology is a pillar of Sanford's innovation strategy. This includes adopting technological solutions that support a high-quality product while improving sustainability.

Sanford is investing \$80,000 in Near-Infrared Reflectance Spectroscopy (NIRS). NIRS can rapidly provide extensive information on the quality of fish and shellfish such as mussels and is valuable in predicting indicators such as fat, protein and moisture.

The technology will be deployed in mussel harvesting. Where today quality assessment comes down to eyes and experience, in future a portable NIRS probe will assesses the weight, yield and nutritional profile, ensuring we harvest the best.

With this technology we will build up a data base of mussels in peak condition, using artificial intelligence to develop a visual cue system. Our harvesting team can photograph a mussel, email the results to the database and receive a “go” or “no go” harvesting match. There is potential to use this technology across our farmed seafood, ensuring our pristine product is as perfect as it gets.

3.3

PERFORMANCE OUTCOME:
HEALTHY FOOD AND MARINE EXTRACTS



End-to-End Investments to Drive Quality

To our customers and consumers and naturally to us, provenance is important, care is crucial, and quality is the most important thing we have to offer.

We do not create quality – it is already there in nature – so everything we do works to preserve it. That’s a big shift in thinking given we have more than 100 years of history as a low cost, commodity fisher, but it’s crucial to our future providing high value, high quality seafood and nutrition.

Over the last two years, we have been looking across the business to understand the challenges that operations are facing and the implications for our “best in the world” ambition.

That led to the decision to invest \$120 million over 2019–20 to put the platform, tools and resources in place to deliver on our value-add strategy. We are investing so that our vessels, plant and people are all coming together to deliver operational excellence. Our hoki cascade results, discussed on page 79, show just one of the returns on that investment.

We have come a long way towards the goal of \$1 of EBIT for every greenweight kilogram of fish or seafood harvested. This year we delivered \$0.56 EBIT/kg compared to \$0.23 per kg in 2013.

There is more to be done. We are now doing the preliminary work, end-to-end across our salmon business, to lock in quality and raise returns. It is a holistic approach, starting with our hatcheries, including investigating the potential for a new hatchery development. With more hatchery capacity we can grow bigger fish, prior to their release into our Big Glory Bay farm. Bigger fish need less time to grow in the farm, consuming less feed overall which is more nitrogen efficient.

We are also looking at genetics, so our next generations of farmed salmon inherit a resilience to environmental changes. We are investing in algal bloom management technology at the Big Glory Bay farm, as well as pen expansion. This year, our Board approved a \$5 million investment for a new barge, to be delivered in 2020. Other improvements includes upgrades across our processing operations to preserve the innate quality of our Big Glory Bay salmon. We are confident the investment will achieve returns through higher quality product and the ability to carefully grow more fish.

In wild catch, investments this year are already making an appreciable difference in the quality of our catches and our

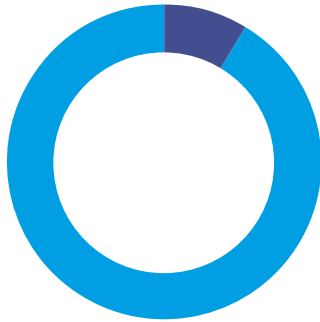


3.3

PERFORMANCE OUTCOME:
HEALTHY FOOD AND MARINE EXTRACTS



How would you rate the quality of Sanford's products?



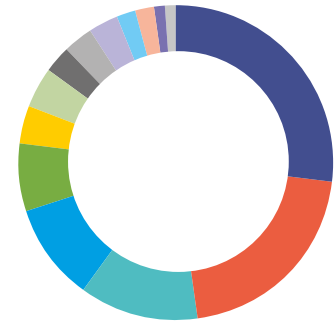
	2019	2018
Very high quality	8.7%	21.1%
High quality	91.3%	57.9%
Neither high nor low quality	0.0%	21.1%
Low quality	0.0%	0.0%
Very low quality	0.0%	0.0%

How would you rate the quality of your customer service experience about food safety and quality?



	2019	2018
Very positive	43.5%	58.8%
Somewhat positive	43.5%	23.5%
Neutral	4.3%	11.8%
Somewhat negative	8.7%	5.9%
Very negative	0.0%	0.0%

Quality complaints breakdown



	2019
Foreign material	27%
Quality defects	21%
Wrong product	12%
Labelling error	10%
Other	7%
Date coding error	4%
Weight control	4%
Packaging	3%
Product grading error	3%
Temperature abuse	3%
Product missing	2%
Under delivered	2%
Bone	1%
Parasites	1%



End-to-End Investments to Drive Quality continued

ability to preserve that quality through the processing chain.

Precision Seafood Harvesting technology, is now approved for use in selected fisheries and is being deployed on many of our vessels. While the investment is some \$250,000 per vessel, there is a positive impact on our work to maximise returns from our hoki cascade, which is focused on delivering more fillets and fewer frozen blocks. Investments to cool the deep water vessels' receiving pounds and the processing areas have also supported higher quality results.

Upgrading our sonar and radar capability on three deepwater vessels, at the total cost of \$1.5 million will support our wildcatch efficiency and this year has paid off in more efficient fishing for squid.



Our longer term deepwater investment programme signalled last year, included replacing scampi vessels and improving the operational efficiency and production ability on another seven vessels. A significant next step will be further investment in our scampi fleet which will help us secure the quality of one of the highest value products in our portfolio.

These upgrades and investments will give us the right platform for future success, built on a foundation of sustainability and the principle of achieving together.



Sanford had no food safety product recalls in 2019.

Our future focus

MATERIAL ISSUES & STRATEGIC GOALS	2020 TARGETS	OUR 2025 VISION
<p>Food Safety and Quality</p> <p>Be recognised as a global leader in providing safe, high quality marine sourced products that exceed our customers expectations on a consistent basis.</p>	<p>Ensure no food safety product recalls.</p> <hr/> <p>Maintain all MPI certificates at maximum frequency levels for all land based sites (step 6 level). Also maintain the FSSC 22000 certification for the Group.</p> <hr/> <p>Year on year improvement in the number of customer complaints received in respect of food quality.</p> <hr/> <p>Launch and successfully implement new software for capturing and reporting quality data. This will facilitate the measurement of non conformance of food safety/quality KPIs and will provide clarity of actions and improvement areas for management to remedy.</p>	 <p>Sanford is recognised and respected as a global leader that produces high quality and sustainable New Zealand marine sourced products that consistently exceed the expectations of our customers and consumers. Operates with a team of skilled and conscientious customer/consumer focussed people who achieve a 'no product recall' KPI and no complaint targets year after year.</p>
<p>Supply Chain</p> <p>Moving products between Sanford, its suppliers and customers in order that customer requirements are consistently met or exceeded.</p>	<p>Facilitate the improved engagement across the supply chain, in order that Sanford continues to advance towards a demand based decision-making process, that optimises customer/consumer preferences and ensures year-on-year improvement of EBIT / kg returns for the wild catch, mussels and salmon businesses.</p> <hr/> <p>Develop and implement supply chain processes that support the move to online sales platforms.</p> <hr/> <p>Identify and introduce operational and procurement efficiencies within the supply chain that improve on the prior year's supply chain cost per GWT sold.</p>	 <p>To have in place appropriately agile and customer led processes, systems and technology that is able to cost effectively adapt to meet differing customer and consumer expectations in the delivery of exceptional quality products and service offerings. The achievement of this vision will be greatly assisted by the use of the latest technologies and customers' desires to understand and trust Sanford products.</p>

These targets for 2020 have been informed by Sanford's strategy, Global Reporting Initiative (GRI) Sustainability Reporting Standards and a review of international guidance¹ on business commitments to support achievement of the UN Sustainable Development Goals.



1. GRI and UN Global Compact 2017: Business Reporting on the SDGs – An Analysis of the Goals and Targets.



SUPPORTING STRONG COMMUNITIES AND PARTNERSHIPS

Our leadership in creating employment and skills opportunities, coupled with our understanding of the needs of our communities and partners, ensure we deliver a significant and positive contribution everywhere we work.



PHOTO: Participants in the Sanford Materiality Regional Workshop in Marlborough with Augusta Van Wijk from Cawthron in the centre

8 DECENT WORK AND ECONOMIC GROWTH



Under-employment affects communities around New Zealand, and we need decent work opportunities if we are all to share in our progress as a country. Sustainable economic growth creates the conditions that enable people to hold down decent jobs that stimulate the local and national economy. We are committed to creating productive employment opportunities for our local communities and we value living and working in them. The increasing diversity in our product portfolio through innovation, and with the aquaculture sector having a high potential for growth, we believe we can create long term employment in our communities through our growth goals.

17 PARTNERSHIPS FOR THE GOALS



To achieve all our sustainability goals, Sanford needs to work in partnership with our stakeholders to ensure that we have sustainable outcomes for the future. Our strategic partnerships, both local and global, help us create the most value that we can for current and future generations. We invest significant time and energy collaborating with stakeholders to help shift the dial in areas where we can make the most difference.

SUPPORTING STRONG COMMUNITIES AND PARTNERSHIPS
TOGETHER

“Licence to operate”.

It’s a rather formal term for a whole host of actions and interactions which keep us connected to our communities, our partnerships and all the people who matter. Trust and goodwill are not taps to be turned on and off. Instead, they are earned by doing what’s right. We work hard and we appreciate the support our communities and partners have given us. This year their trust and those partnerships have meant new growth opportunities in Big Glory Bay, a new era for our pelagic business in Tauranga, taking another step closer to cameras on vessels and a big step up to protect Maui dolphins. We cannot do any of these things alone.



Material issues and value creation

This table summarises Sanford’s material issues relating to *supporting strong communities and partnerships*, the strategic goals defined through our Business Excellence Framework, our targets for 2019, and our progress against these targets in contributing to value creation. At the end of this section, we also define our future targets and vision to 2025.

MATERIAL ISSUES & STRATEGIC GOALS	2019 TARGETS	PROGRESS AGAINST TARGETS
Community Engagement and strategic partnerships Respect and support our local communities in line with our social licence to operate. Establish strategic partnerships that create value for the community, our partners and Sanford.	Implement targeted strategies and plans to support local business, employment, and skills development.	Achieved. This year we supported various educational and employment initiatives, including university and school visits. Worked with the Graeme Dingle Foundation’s Career Navigator programme to support the delivery of a ‘Ready-for-Work’ programme.
	Continue to grow engagement across the communities that we operate in through a range of initiatives, from open days to communication through multiple forums.	Achieved. Implemented a wide range of community initiatives from coastal clean-up events, fundraising activities and open days. Engagement is tracked through social media metrics. This year with Skretting, our fish feed supplier, we held an open day at the Okiwi Bay Fin Fish feed research centre, participated in SeePort in Auckland and in an aquaculture awareness day on the wharf in Havelock.
	Continue to foster existing strategic partnerships and establish new ones where appropriate, in line with our overall business strategy and priorities.	Achieved. Active memberships across a range of organisations. Signatory to a range of initiatives, such as Climate Leaders Coalition, The Aotearoa Circle, Māui Dolphin Protection Plan, and Black Petrel Pledge.

PHOTO: Miguel Rodriguez and David Ayers on Stewart Island





Consent to Grow

Big Glory Bay Salmon Farm Manager, Jaco Swart, describes our Stewart Island farms as “a window into Sanford’s commitment to collaboration, care of the oceans and sustainability”.

Thanks to careful consideration from the Southland community where we operate our salmon business, we have their permission to grow that business in a sustainable way.

“Fish need first and foremost a clean house – below, above and around them. It is not possible to grow beautiful fish in an unhealthy environment,” he says. We take incredibly good care of Big Glory Bay, as we plan to be there forever.

Sanford has been farming salmon in Big Glory Bay since 1994. When we looked at how we could grow in 2016, we were confident that with modern technology and improvements in fish nutrition we could sustainably grow more fish in the same amount of water space.

Fish need protein to potentially grow, and the protein in their feed contains nitrogen, which can have an environmental impact.

However because we had more than 20 years of environmental monitoring data in the bay, scientists were able to show that we could increase our production with no discernible difference to the environment. They were able to model what would happen and test their predictions against our actual monitoring data.

We began an extensive process to potentially grow our farm business including applying to Southland Regional Council to increase the amount of nitrogen we were permitted to put into the water.

It has taken more than three years of working with scientists, regulators, iwi and our local communities in Bluff and Stewart Island to secure approval to optimise the utilisation of our water space in Big Glory Bay.

The Variation decision in April 2019 has meant that Sanford will be able to substantially increase its salmon production over the next three to five years.

We’re taking it slowly, with nitrogen increasing in stages to the maximum permitted annually. Each month we monitor the water quality under our farms and at control sites across the Bay. Annually there is an independent audit of the water and seabed. It takes a week to sample and count all the fauna that is growing under our fish pens.

All the monitoring information is shared with the regulators and is available to the public.

Growing our salmon business is a team effort across the Sanford business. We need to grow more smolt at our hatcheries, we need more pens, more equipment and more staff. This year our engineers added four more pens to our grower farm, and commissioned a new barge build in Tasmania.

We share our salmon growth strategy with the Stewart Island community using newsletters and we benchmark against global sustainability standards. It was good news that in 2019 we are set to be awarded our fourth star in the Best Agriculture Practice – a global sustainability assurance standard that is independently assessed. This is our commitment to sustainable seafood production – to be open, clear and clean.



I think that everything we do, we need to love and care for. I will continue to work for this company as long as I think that we do good – we do good in our relationships, we do good in the environment, we do good with our staff, we do good through our leadership. I think we are doing well at the moment.

—

Ali Undorf-Lay
INDUSTRY LIAISON MANAGER



Community Commitment

Sanford is grateful to the Stewart Island and Bluff people who allow us to farm in their community. We are committed to being a good neighbour and we want local people to be well informed and proud of the amazing salmon that is grown in this beautiful part of the world.

When we hold a meeting to explain our salmon farm development plans, host a farm visit or a drop-in session with our scientists we acknowledge that it's two way collaboration and we are in this together. Sanford has shown that we listen and are prepared to change our plans. For example, we agreed to a staged nitrogen development plan after meeting with the Department of Conservation (DOC) and iwi, and we investigated the remediation progress under our fallowed farm sites when asked to by the community.

We want meetings with Sanford to be fun and informative, that's why we host events like 'blind tasting nights', and as that particular evening showed, Stewart Islanders know their salmon and they picked the unlabelled Big Glory Bay product as the best.

In February we combined with Skretting, our salmon feed partner, and hosted an aquaculture open day at Okiwi Bay, their fin fish nutrition research station, located on Sanford land in Marlborough. More than 500 people came through our gate keen to learn more about farming salmon.

Reaching out or leaning in to better understand takes time and effort. For us it's our job and we enjoy doing it. When people support our events and bring their families along, it is a privilege to be accepted and valued as a member of their community.

SALMON FACTS

9,000

A FEMALE BROOD FISH OF 8-10 KILOGRAMS WILL PRODUCE UP TO 9,000 UNFERTILISED EGGS IN HER LIFETIME

10-15%

UNDER GOOD CONDITIONS SALMON CAN GROW 10-15% PER MONTH

Feeding

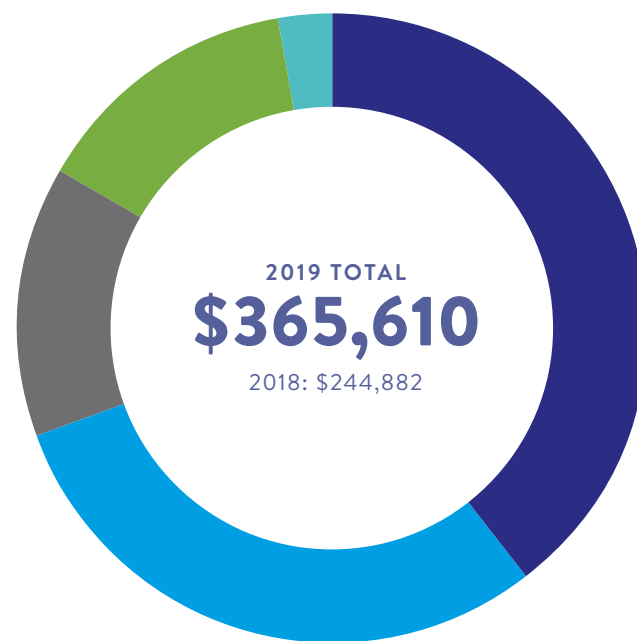
A SALMON OF 4-5KG WILL EAT UP TO 1.5% OF THEIR BIOMASS PER DAY - UP TO 60 TO 70 GRAMS OF FOOD PER DAY



PHOTO: Chris Tomlinson on Stewart Island

ADDING VALUE TO LOCAL COMMUNITIES

In 2019, we contributed community investment of \$365,610, compared to last year's \$244,882. This does not include the significant in kind support our teams have contributed through volunteering and fund-raising efforts within our local communities.



● Community Programmes	\$144,655
● Graeme Dingle Foundation	\$110,024
● Other charities	\$50,906
● Paralympics Spirit of Gold	\$50,025
● Industry sponsorship	\$10,000

3.4

PERFORMANCE OUTCOME:
COMMUNITIES AND PARTNERSHIPS

Together with Graeme Dingle

Our work with New Zealand's Graeme Dingle Foundation brings a great sense of accomplishment and contribution to the many Sanford staff involved.

Navigation is a pretty important skill in a seafood business. It's all about knowing where you want to go and how to get there. We're bringing it to our long partnership with the Graeme Dingle Foundation.

We help fund and run the Foundation's work with 10,660 students in five regions, across 57 schools. Graeme Dingle foundation's four programmes empower kids to overcome obstacles, by nurturing self-belief and growing resilient, confident, young people.

And that's where the navigation comes in. Bluff Quality Manager, Marie McDonald, wears a second hat as a Foundation Trustee and is growing initiatives like Career Navigator. Employers are looking for young people who are "work ready" and who demonstrate the right attitude and soft skills needed in the workplace.

Career Navigator helps students make informed decisions about future employment and provides the support and skills they need to be work ready.

"We can show them a whole range of sea and land based jobs, but when we work together with our community connections the opportunities multiply," says Marie.

"On a recent visit to Sanford by Graeme Dingle students, the Vessel Manager talked career pathways but also used his contacts to arrange visits to a life raft service company and engineering firm. When we all come together we can introduce them to so much more."

Students can also hear personal stories of navigation, including the one from Hayden Shields who changed direction completely from being a trimmer. When his fascination for the mechanics of a new filleting machine were clearly obvious, he was recruited to operate it.

"He's a real example to the students of what's possible when you show initiative," says Marie.

She and her team of Sanford volunteers also work across two regional high schools, an intermediate and nine primaries, developing and delivering lessons in the Kiwi Can programme most recently focusing on respect for our marine environment and understanding the importance of fishing quotas to a sustainable fishery.



PHOTOS: Top image, Anneka Kuru, Marie McDonald and Anita Van Duivenvoorde (Southern Seafood Products) in Bluff. Bottom image, Alyssa Melvin-Toa and a helper from Ocean View Heights School in Timaru at a beach planting day in Timaru



Transparency Together



PHOTO: Prime Minister Jacinda Ardern, Bert Aitkin, Volker Kuntzsch, Clement Chia and Fisheries Minister Stuart Nash discuss cameras on vessels

Sanford was happy to host Prime Minister Jacinda Ardern and Fisheries Minister Stuart Nash when they announced new funding for on-board cameras in June, for fishing vessels working off the west coast of the North Island.

Our values of care, passion and integrity underpinned by the principle of achieving together are core to who we are. Supporting cameras sits well with those values and our belief that cameras can be an important tool as an open window on how we go about our work at sea. That is why we participated in trials in the snapper one fishery in 2016 and deploy cameras on our deepwater vessels for health and safety purposes.

The Government’s Budget has committed \$17.1 million over four years for the purchase, installation and maintenance of the west coast cameras, as well as the costs of storage, review and analysis of the footage. The first stage sees an estimated 28 commercial trawlers and set netters working in Māui dolphin habitat required to carry cameras from November 1. For Sanford that means two of our vessels will be included.

We have been consistently committed to cameras over many years. We share the view of the stakeholders who contributed to our Materiality assessment, ranking social licence to operate the number four issue and it is in the top twenty risks to the business, identified in our Enterprise Risk Matrix. To ensure the success of cameras there are still questions to answer around the details of their adoption. Will cameras be an enforcement tool or an aid to science? If for enforcement, what is the associated penalty regime? What protections are there for the privacy and security of crews? How secure is the footage, once transferred from the vessel to Government-managed storage vaults?



Each of these questions has an answer. A working partnership with Government and the industry will find them. A “together” approach will achieve the most sustainable outcomes for both our marine resources and for those who harvest them.



In the future I would like to see a healthy marine environment with flourishing fisheries that are well managed, where we have invested money in science to understand them properly; a modern fishing industry with good equipment operating within a network of protected areas; an industry that is open and transparent with good surveillance so that the public know what is happening.

—
Raewyn Peart
POLICY DIRECTOR, ENVIRONMENTAL DEFENCE SOCIETY



Our future focus

MATERIAL ISSUES & STRATEGIC GOALS	2020 TARGETS	OUR 2025 VISION
<p>Community Engagement and strategic partnerships</p> <p>Respect and support our local communities in line with our social licence to operate. Establish strategic partnerships that create value for the community, our partners and Sanford.</p>	<p>Refresh our strategy for Sanford's engagement with communities and strategic partnerships.</p> <hr/> <p>Retain Sanford's sponsorship of the New Zealand Paralympics team, fulfilling a three-year contracted support. Engage with the Paralympians in the build up to the Tokyo Olympics in order to show strong support and passion for the success of these wonderful athletes.</p> <hr/> <p>Provide financial donations to the Graeme Dingle Foundation as well as multi-site support and events, highlighting the fantastic work undertaken by this charitable foundation.</p> <hr/> <p>Continue to support local sponsorship of events and organisations.</p> <hr/> <p>Launch the Stewart Island 10c per salmon scheme, with 10c from every salmon processed used to fund (positive) wellbeing projects in Stewart Island and Bluff.</p>	<div data-bbox="1075 453 1133 512" style="text-align: center;"> </div> <p>Sanford is recognised as a valued and respected partner both at a local community level and in respect of our national strategic partners. Sanford's vision is to be seen as a positive contributor to all its stakeholder communities and is regarded as being integral to local and national communities with which it participates.</p>

These targets for 2020 have been informed by Sanford's strategy, Global Reporting Initiative (GRI) Sustainability Reporting Standards and a review of international guidance¹ on business commitments to support achievement of the UN Sustainable Development Goals.



3.4 PERFORMANCE OUTCOME: COMMUNITIES AND PARTNERSHIPS

1. GRI and UN Global Compact 2017: *Business Reporting on the SDGs – An Analysis of the Goals and Targets*.



DELIVERING CONSUMERS' EXPECTATIONS

We will work with customers and consumers to bring them the best of our sustainably harvested seafood and marine extracts, demonstrating great care for our beautiful New Zealand products and achieving the optimal value for these precious resources.



3 GOOD HEALTH AND WELL-BEING



Seafood is recognised as a beneficial part of a balanced diet, which can help consumers to protect their good health and well-being. From a global perspective, eating a recommended amount of seafood can reduce the overall burden of health costs on populations.

8 DECENT WORK AND ECONOMIC GROWTH



Sanford's approach to adding value is partly driven by an understanding of consumer preferences. This in turn creates economic growth, as we do more in a sustainable way with the resources we have.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



As we seek to deliver consumers and customers' expectations, we turn to innovation around brands and products. This drives technological progress, as we develop new product lines and new methods of delivery. Our investment in science is key to our contribution to sustainable development.

17 PARTNERSHIPS FOR THE GOALS



Sanford works in partnership with our customers and consumers, recognising their values and their desire to see sustainable growth and to have access to nutritious food that leaves the lightest possible footprint on the planet.

DELIVERING CONSUMERS' EXPECTATIONS
TOGETHER

Our vision is to be the best seafood company in the world. Who can be a good judge of that? Our customers and consumers for whom we strive to deliver. We want to be their supplier of choice for New Zealand seafood and marine extracts, with that choice influenced by our quality, our provenance and the emphasis we place on understanding their needs.

Sustainable seafood coupled with food safety and quality are two of the top three issues on the minds of our stakeholders in our Materiality Assessment and our consumers are no different.

The more we work towards our aspirational goal to achieve, on average \$1 of EBIT for every greenweight kilogram of seafood, the more emphasis we are placing on direct connections and great relationships with the people who put our seafood on their plate.

3.5

PERFORMANCE OUTCOME:
DELIVERING CONSUMERS' EXPECTATIONS

Material issues and value creation

This table summarises Sanford’s material issues relating to *delivering consumers’ expectations*, the strategic goals defined through our Business Excellence Framework, our targets for 2019, and our progress against these targets in contributing to value creation. At the end of this section, we also define our future targets and vision to 2025.

MATERIAL ISSUES & STRATEGIC GOALS	2019 TARGETS	PROGRESS AGAINST TARGETS
<p>Drive Value Growth through Brand Development and awareness</p> <p>Unlock value generating opportunities by developing a portfolio of brands and margin enhancing product formats that meet consumers’ expectations and grow Sanford to achieve \$1 EBIT per kg.</p>	Continue to develop the Big Glory Bay brand.	Achieved. The Big Glory Bay brand is now established in the local market with the appointment of a Premium On Premise Channel Manager to manage our expanding customer base in NZ. The BGB product is on the menus of key Auckland and Queenstown restaurants. Expansion plans have been developed for growing sales into the USA market and we are currently in 5 states in the USA.
	Develop and launch Sanford and Sons branded Fishmonger.	Achieved with the opening of the Sanford & Sons fishmongers at the newly redeveloped Auckland Fish Market and migrating the online platform Fresh Catch to the Sanford & Sons brand.
	Redevelop and open the Auckland Fish Market as a destination and a celebration of New Zealand Seafood.	Achieved. The food service hub features eateries serving quality seafood dishes.
	Develop and launch a nutraceutical brand.	Achieved. The launch of the Sea To Me nutraceutical brand took place in November 2018.





PHOTO: New Zealand chef Annabel Langbein

Catch to Cook

Sanford has launched a partnership with New Zealand chef Annabel Langbein.

Sanford is all about sustainable seafood. So is New Zealand. Our Quota Management system, our annual assessment of fish stocks and a generally very responsible fishing industry all come together to ensure the long-term future of this precious resource.

A point of difference for New Zealand and Sanford is that we can offer our customers and consumers over 100 different wild-caught and farmed products, from succulent scampi to versatile ling. With the opening of our revamped Auckland Fish Market in December 2018, we have made it our mission to get everyone eating more of the lesser known species, and reduce their reliance on species like snapper and tarakihi. These other species are easy on the budget, delicious and sustainable.

Education is the key to lifting consumption and our Sanford and Sons Fishmonger “Catch to Cook” initiative which launched in August 2019 was focused on this. Working with Annabel Langbein as our spokesperson we are aiming to double sales of lesser known species. By focusing on everyday meals and not overwhelming cooks with what fish goes into which dish, Annabel is winning over consumers, one monthly recipe at a time.

The recipes encourage cooks to get the fish out of the frying pan – the method normally chosen by nearly 80% of consumers we surveyed – and into adventurous options like curries, tacos or ceviche or family favourites like fish pie, sliders and chowder.

Catch to Cook is a package of ingredients, the recipe and the most suitable choice from the freshest catch, which can be ordered online and delivered across Auckland, Hamilton and Tauranga, or collected from Sanford and Sons in Jellicoe Street, Auckland. Its launch saw online traffic lift from 900 to 3500 unique visitors for the week.

We’re augmenting Catch to Cook with further encouragement to consumers to try something new. While our market research tells us that 65% of consumers are not stuck on the same type of fish every time they buy, we are also promoting weekly specials instore and online that reinforce the message that seafood is an affordable, versatile and sustainable source of protein.

With our counter staff conversant with the featured species and how to use it, we’re getting closer to consumers in their own kitchens and supporting them to try their own favourite recipes with a new species.



Catch to Cook recipe (sliders)
www.youtube.com/watch?v=RfC-wf2sCKk



ANNABEL LANGBEIN ON HER SANFORD AND SONS PARTNERSHIP

I'm very excited to be partnering with Sanford and Sons to promote sustainable seafood as a healthy choice that everyone can afford and enjoy. Sanford's commitment to sustainability across all aspects of its business strongly aligns with my own values and pledge to promote healthy food choices that support our natural ecosystems.

Diversification and education are at the heart of the "Catch to Cook" programme I have been developing with Sanford and Sons during 2019. This comprehensive multi-channel campaign aims to position Sanford and Sons as *the* authority on alternative fish species in New Zealand. Our goal is to show people that, instead of buying the same old snapper, cod, hoki, tarakihi or gurnard, it's time to look further along the counter and try something new.

The seafood resource found in New Zealand waters is a rare taonga. Few other places in the world can boast the diversity that we do, with more than 100 species commercially fished here. I'm passionate about encouraging Kiwis to discover more of the amazing array of seafood on offer, not only because choosing from a wider net of species takes pressure away from heavily fished species, but because it makes for an affordable way of enjoying seafood more often, as these lesser-known species tend to cost less than their more popular relations.

Currently, 86 percent of New Zealanders are falling well short of the two serves of seafood a week recommended by the World Health Organisation. About 66 percent of us eat seafood once a month or less, and only 14 percent eat fish weekly.

I believe the Catch to Cook campaign has real potential to change attitudes, and together with Sanford and Sons, I look forward to bringing sustainable seafood into the heart of the Kiwi diet.

October 2019

Our Salmon in the States



Our premium Big Glory Bay branded salmon is now appearing on menus in Southern California, San Francisco, Sacramento, the Napa Valley and Las Vegas, with restaurants in Chicago, Texas and Hawaii ready to follow in October 2019.

Having a single distributor and collaborative access to our high-end, high value restaurant customers has been key to our progress. It enables us to understand each customer's needs and respond to them with products from our sustainable portfolio. This is enabling us to progressively build sales in each city on the back of good customer relationships. As we get closer to the chefs who use our products we can offer more value to them through initiatives such as staff training and chef's visits to the farm in Big Glory Bay, Stewart Island.

GM International Sales, Blair Robinson, says it's the salmon that opens doors in more ways than one.

"The New Zealand salmon story and the provenance and flavour profile of Big Glory Bay is a big point of difference for us, but we are also in a unique position because we believe we are the only salmon farming company which can offer chefs a broad selection of other species. While Big Glory Bay salmon leads the demand, it is increasingly becoming part of a basket of seafood including scampi, snapper and mussels. For the chefs there is the benefit of having a direct connection to the supplier, one distributor and our ability to allocate supply of species to them, something which again is unusual in the industry and very well received."

Quality is the primary concern for the chefs currently buying from us and we are meeting it with product like modified atmosphere live premium mussels which have a 12 day shelf life. Value returns from mussels are up, as a result of our sales channel strategy. Our market diversification strategy to lift supply to China, Korea and Thailand has also enabled us to realise higher returns for half shell mussels.

Sanford's use of and contribution to the development of the gentler fishing method that is Precision Seafood Harvesting technology has reinforced the quality story. So much so that orders from the Hilton in Huntington Beach, California now specify PSH caught snapper. We are confident more will come on board, with PSH caught fish challenging the quality and premium price of line-caught species.

While the establishment of our foothold in the US foodservice sector only took effect from February 2019, our positive sales and revenue make us confident of our future growth, as we target the top 2-3% of restaurants in one of the biggest out-of-home markets for seafood consumption in the world.

New Zealand has open access to the US market, which is the world's second largest seafood importer, with 2012-2017 imports from all sources increasing by US\$5 billion to more than US\$20 billion.

Our closer-to-customer strategy in the US is also coming into force in Australia and hosting chefs at Big Glory Bay is generating demand through our supply chain. Asia is next in line for our Big Glory Bay story.



What I am loving right now is the Big Glory Bay branding. It has been very well received, even in its infancy.

— **Timothy Hall**

VICE PRESIDENT, NEW ZEALAND SEAFOODS



Going to Market

In revamping the Auckland Fish Market (AFM), our goal was to create a celebration of seafood. With an average of more than 700 daily visitors since our December 2018 opening, we are confident the public interest is as sustainable as our fish.

Our first year was spent cementing the market with locals as Auckland's prime seafood destination. If you are famous with the locals, the tourists will follow. The Market is fast becoming a favourite in Auckland day trip itineraries, and we're starting to capture some of the 239,000 cruise passengers visiting Auckland in the season ended June 2019.

With hospitality venues ranging from Japanese to South American cuisine plus our own Sanford and Sons Fishmonger, AFM is a drawcard to Auckland's Wynyard Quarter. With live music, school holiday activities, big screen TV, sampling opportunities and the popular Seafood School, there is something for everyone.

The market is currently capturing 16-18% of the foot traffic in the area, and continues to grow month on month, which includes corporate offices, the America's Cup Team New Zealand base, hotels, recreational areas, yacht berths and apartments.


"Our aim is to be a regular destination on everyone's list. If it's to pick up some fresh salmon for tea, oysters for a dinner party, lunch with friends or fun with the family. We get a lot of lunchtime traffic from offices around us, and families during the weekend so we're enjoying a consistent flow of people right through the week," says Justine Powell, General Manager Marketing and Consumer.

Justine says the market's performance for the first year is ahead of expectations and lessons learned over the first year are being applied to make that lift sustainable.



3.5 PERFORMANCE OUTCOME: DELIVERING CONSUMERS' EXPECTATIONS

Our future focus

MATERIAL ISSUES & STRATEGIC GOALS	2020 TARGETS	OUR 2025 VISION
<p>Drive Value Growth through Brand Development and awareness</p> <p>Unlock value generating opportunities by developing a portfolio of brands and margin enhancing product formats that meet consumers' expectations and grow Sanford to achieve \$1 EBIT per kg.</p>	<p>Develop and launch new packaging for high-end export sales of species. This new packaging will be under the Sanford & Sons brand (previously planned to be Sanford Black).</p> <p>Improve the year-on-year returns for Sanford & Sons fishmonger that trades in Sanford's Auckland Fish market,</p> <p>Increase the proportion of BGB salmon to be sales growth such that 10% of volume sold is branded BGB.</p> <p>Build on the launch of the nutraceutical branded products Sea to Me.</p>	 <p>Our brands are established and continue to grow in identified markets and channels. Consumers continue to engage with us on our digital platforms. New product opportunities continue to be explored and developed to generate additional revenue streams.</p>

These targets for 2020 have been informed by Sanford's strategy, Global Reporting Initiative (GRI) Sustainability Reporting Standards and a review of international guidance¹ on business commitments to support achievement of the UN Sustainable Development Goals.



3.5

PERFORMANCE OUTCOME:
DELIVERING CONSUMERS' EXPECTATIONS

1. GRI and UN Global Compact 2017: *Business Reporting on the SDGs – An Analysis of the Goals and Targets.*



BUILDING A SUSTAINABLE SEAFOOD BUSINESS

We will endeavour to deliver sustainable, profitable and socially beneficial outcomes through our people, sector leadership, approach to innovation and risk management strategies.

8 DECENT WORK AND ECONOMIC GROWTH



The seafood industry is well placed to supply a growing population with a source of protein. Sanford is committed to providing employment opportunities across New Zealand and creating sustainable wealth through innovation and branding without increasing the reliance on our natural resources. This has progressed well, and we have managed to decouple economic growth from environmental degradation.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Technological progress is the foundation to achieve sustainability objectives such as increased resource and energy efficiency and resilient infrastructure. Without technology and innovation, environmentally sound industrialisation will not happen meaning opportunities for growth and development of the seafood industry will not be optimised. Sanford's investment in scientific research and technology is key to our ability to contribute to sustainable development. Value is added to our products through taking this more innovative approach resulting in an increased return per kilogram of product.

17 PARTNERSHIPS FOR THE GOALS



Partnerships are key to realising sustainable business opportunities and demonstrating sector leadership. Innovative partnership opportunities allow us to remain leaders in the seafood industry and competitive on a global scale, combining our resources and experience to enhance existing operations and open up new business avenues. Being industry leaders comes with great responsibility and through collaboration we can lift the industry to our standards, paving the way to sustainable seafood growth.

BUILDING A SUSTAINABLE SEAFOOD BUSINESS
TOGETHER

Building a sustainable business is the outcome of all the other pillars of our Business Excellence Framework working together. We cannot be sustainable if we do not do our best to Ensure Healthy Oceans and Protect the Environment. We cannot function without great teams which thrive in a Just Culture in a safe and high performing workplace. Our success depends on Delivering Consumers' Expectations and being an integral and valued part of our Communities and Partnerships. All this enables us to Lead the Way to Healthy Food and Marine Extracts and this in turn helps us to get ever closer to realising our vision to be the best seafood company in the world, one that is built on a deeply sustainable foundation. This section demonstrates how many of these factors came together to create the successes we achieved in 2019, with great teams and wonderful support both inside and outside the business.





Material issues and value creation

This table summarises Sanford's material issues relating to *building a sustainable seafood business*, the strategic goals defined through our Business Excellence Framework, our targets for 2019, and our progress against these targets in contributing to value creation. At the end of this section, we also define our future targets and vision to 2025.

MATERIAL ISSUES & STRATEGIC GOALS	2019 TARGETS	PROGRESS AGAINST TARGETS
Shareholder value Improve our business margins and create shareholder value in a sustainable way.	Continue to achieve improvements in our EBIT \$/kg return.	 Achieved. EBIT \$0.56 per GW Kg, up on 2018 (\$0.54 per GW kg) including catch from third party partners. Without San Granit outage and the impact of the algal blooms we estimate this measure would be \$0.60 GW kg.
	Focus on a series of projects which continue to incrementally improve Sanford's return on average total equity.	 Not achieved. The NPAT is similar to prior year which has not helped the expected increase in this measure. In order to align with our value-add strategy we sold our pelagic assets which ordinarily would lower the capital employed but with \$36m spent on capital in support of the strategy this has led to a marginal fall to 7.1% from 7.3% for prior year. New capital must meet a ROCE threshold of 9-10%.
Risk The business clearly identifies and understands the prioritisation of risks and the required mitigation actions to actively manage the risk to acceptable levels, thereby preserving the value of Sanford.	Continue to implement and support a comprehensive enterprise risk management approach across our business.	 Ongoing. The group revisited its assessment of enterprise risk through a series of senior management and director interviews and workshops, facilitated by EY. This has enabled Sanford to advance its understanding and management of key enterprise risk.
	Utilise innovative asset management tools and processes to facilitate the effective upkeep of Sanford's physical assets.	 Ongoing. Recruitment of Asset Management Administrators across the company continues. The Senior Asset Management Administrator and his team are rolling out training, policy updates and significant improvements in all aspects of asset maintenance management companywide. The Operations Project Management Team has been increased to three FTEs and are fully immersed in all facets of the business to both manage significant capital projects and advise engineering managers on Project Management best practice.
Governance Be recognised as a company which governs with clearly defined values for the greater good of all stakeholders. Clear demonstration of an ethical approach across all areas of corporate responsibility.	Ensure that the group is compliant with the latest 2019 NZX Corporate Governance Code.	 Achieved: Sanford supports and is in compliance with the latest 2019 code which came into effect for the September 2019 reporting period. Winners of the Deloitte Top 200 2018 award for excellence in governance in December 2018.
Communication Proactively engage with key stakeholders and communicate with clarity and transparency to build and protect our social licence.	Continue to implement a communication strategy and structure that enables us to build meaningful relationship with stakeholders.	 Achieved: External communications – We have built strong relationships of trust with key stakeholders in a number of arenas and our view is increasingly being sought by media, policy makers and many in the NGO community. Internal communications – We continue to improve our internal communication through Toolbox Toolkits, Senior Officers conferences, SLT and Operations team meetings.
	Continue to produce a high standard, world class, transparent Integrated Annual Report.	 Achieved. Our 2018 Annual Report 'The Elements' received the overall Report of the Year award at the Australasian Reporting Awards. It was also recognised with: <ul style="list-style-type: none"> – The 2019 Integrated Reporting Award – Gold – The 2019 ARA Sustainability Award – Gold

MATERIAL ISSUES & STRATEGIC GOALS

2019 TARGETS

PROGRESS AGAINST TARGETS

Innovation and Technology

The creation of increasing value through innovation and technology.

Continue with the 7-year Primary Growth Partnership between the Government and Sanford Limited introducing a selective mussel breeding programme to produce a wide range of high performing mussel strains.



Achieved. The PGP partnership is nearing its end (31 October 2019) with the successful establishment of SPATnz, a world-class mussel hatchery facility, delivering valuable new knowledge through scientific excellence and immediate and tangible commercial benefit. Selectively bred mussels from the hatchery have significantly higher growth rates and are more consistently sized than wild caught mussels.

Continue with the 7-year Primary Growth Partnership between the Government, Moana NZ Limited and Sealord Group Limited, trialling new harvest technology resulting in more precise catch, less by-catch, lower mortality rates, more selectivity and higher quality landed fish, and have it ready for commercialisation.



Achieved. This PGP project was completed at the end of March 2019. The Modular Harvesting System (MSH) has been approved for specific deepwater and inshore species and areas. This key improvement allows better quality fish into fillet rather than block products.

Continue to build IT capacity with incremental improvements and new tactical solutions whilst building our foundational technology.



Ongoing. The IT team continued to modernise our core technology and drive operational efficiencies. Fleet communications have been upgraded and all vessels are compliant with MPI electronic reporting requirements. Data networks have been upgraded to provide a modern, flexible, and secure environment. The foundation for a data and analytics platform has been completed, with work ongoing to consolidate data sources and enable data driven decision making across Sanford.

Continue the development of marine extracts, understanding market and consumer demand.



Achieved. Launched ‘Sea to Me’ in November 2018, research and investigation into marine extracts ingredient markets and branded nutraceuticals was completed.

Use science based evidence to efficiently grow the salmon business within our social licence.



Achieved. This year an additional nitrogen allocation was achieved through the resource consent process. A “Salmon end to end” operational plan has been developed across the organisation which sets out a plan to meet brand, market and sales objectives.



PHOTO: PSH in action on the San Enterprise

Hoki Cascade Evolution

Hoki processing at sea changes are adding significant benefits and value.

Our vision is to be the Best Seafood Company in the World, achieving our target of \$1 of EBIT for every greenweight kilogram of the natural resources we fish or harvest.

With hoki accounting for a significant proportion of our total wild harvest, every tweak to increase the value we secure from this fish brings us closer to that \$1 per greenweight kilo EBIT goal.

This year has seen an appreciable increase in the volumes of skin off and skin on fillets being processed and packed into shatter packs by our deepwater fleet, through an 18-month effort to reduce the volumes going into lower value fillet blocks.

It starts with the catch. With Precision Seafood Harvesting last year approved for commercial use in deepwater fisheries the technology in which we invested in a seven-year Primary Growth Partnership research programme is allowing fish to be landed in pristine condition.

The mission then is to maintain that landed quality. As with any perishable food product, maintaining the cold chain is critical and our improving results in this area are a satisfying example of how working together, even on the tiniest details, can make a big difference.

Rapid chilling preserves their peak condition, so additional cooling is now deployed in the receiving pound on our vessels. We are also keeping ambient temperatures in the on-board processing factories lower. Crews are now financially incentivised to convert more volumes of hoki into skin on and skin off fillets that meet precise grading specifications.

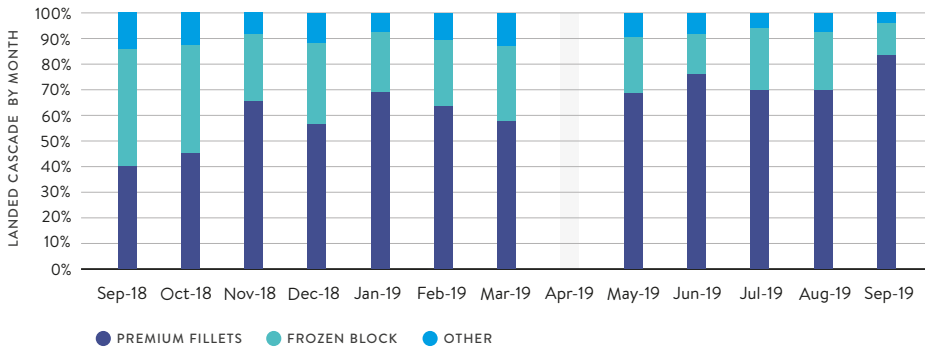
Deepwater Fleet Manager Darryn Shaw says that small changes are achieving a big impact.

“Skippers now fish to the processing ability in the factory, so there is a faster and more consistent flow from landing the catch to its processing. There’s healthy competition between boats and the team dynamic has changed. It hasn’t been instant, but we are making sustainable and meaningful gains.”



Deepwater Team Land Side – Meet the Teams
www.youtube.com/watch?v=64e1P9vFsGE

Fillet Vessel Hoki Cascade 2018–2019



No hoki fishing undertaken in April 2019.

Onboard factories can process 25mt to 50mt of frozen finished product per day (depending on vessel type) and vessels are typically at sea for six to seven weeks, landing their processed catch in Timaru.

General Manager Supply Chain Louise Wood says demand is strong from wholesalers and foodservice for hoki.

“Inventory turns over very quickly – it’s off the boat and off to market under our Sanford Blue branding. The co-operative effort across the business is seeing product pulled through the supply chain quickly and we’re all moving in the one direction.”

From the sea to the customer, every link in our hoki supply chain has been polished and invested in with a single purpose – improving quality and value to earn higher returns. It’s all about better together.



San Enterprise Meet the Teams
www.youtube.com/watch?v=iRrlsLRidY8



Skippers now fish to the processing ability in the factory, so there is a faster and more consistent flow from landing the catch to its processing... It hasn’t been instant, but we are making sustainable and meaningful gains.

Darryn Shaw
 DEEPWATER FLEET MANAGER
 SANFORD



PHOTO: Rebecca Campbell learning on the packing line under the watchful eyes of Sangato Petelo on the San Enterprise



Managing Algal Blooms

How do you build a sustainable and resilient business when your greatest enterprise risk is climate change? For Sanford in 2019 part of the answer has been teamwork and open eyes. We had a chance to exercise both, with the arrival of an algal bloom in Stewart Island waters this year. It confirmed for us that there is always something you can learn today which can mitigate risk in the future.

Algal blooms can damage the gills of fish and reduce oxygen levels in the water. In Big Glory Bay, the bloom from February 27 to April 16 saw our salmon farm team working around the clock, revising feeding regimes, oxygenating the pens with rapid response solutions like compressors and doing everything possible to protect the salmon. General Manager Aquaculture Ted Culley says the teamwork was outstanding, but not enough to prevent some losses.

When your job is farming fish and it's a three-year cycle, there's nothing worse than losing well-raised stock. But open eyes and asking "why" led to the observation that some fish were coping better with the stress and that those fish shared a genetic connection. Sanford geneticist Mike Tate was called on to the farm for an opinion and his subsequent findings were used in 2019 breeding selections.

The theory is 2019-born stock, bred from the more resistant fish should be harder if exposed to another bloom, and these heritable characteristics can be carried through subsequent stock. Another observation was that salmon tended to flourish in post bloom conditions, achieving higher-than-usual weights. It will be 2022 before a new 3-year cycle starts, so it's a work in progress, but promising.

In the short term in Big Glory Bay, we are far better prepared to protect our valuable fish following a fact-finding tour to Canadian farms and technology providers. Algal blooms have been a long-standing problem in geographies like Scotland, Norway and Canada.

We now have a new role for algae monitoring and water quality on the farm, enabling daily testing. Previously, water sample results took two days and a toxic algae works faster than that. We are now equipped to test hourly in the peak period for algal blooms.

An international specialist has equipped a core team with new algae knowledge and skills, adding to their capability as well as our alertness to potential threats.

Excellent housekeeping also helps. A new washer has reduced net cleaning time from two days to two hours. Nets are being washed more often, allowing better water flows, higher oxygen levels and reducing the risk of algal and hydroid growths.

Further north in our Marlborough mussel farms, where harvesting in Nydia Bay and Hallam Cove ceased during an algal bloom because of accumulated biotoxins found in the mussels, the same approach to sustainable aquaculture was taken. Mussels take around 24 months to mature, so seeding lines to a schedule which times the harvesting ahead of the riskier periods for algal blooms is being adopted.

Open eyes, teamwork and a determination to take the best possible care of our salmon and shellfish has seen us make significant changes to our farming practices in 2019, changes which will benefit our farms for years to come.

EXTERNAL COMPLIANCE AUDIT	NUMBER OF AUDITS COMPLETED	
	2019	2018
MPI Food Safety Performance Based Verification Audits (PBV)	39	48
MPI National Shellfish Sanitation Programme (NSSP)	4	6
Marine Stewardship Council (MSC) Chain of Custody	3	2
A+ NZ Sustainable Aquaculture Programme	1	0
MPI European Union Listing Maintenance	0	3
Best Aquaculture Practices (BAP)	4	2
Organic Certification	1	1
ISO 14001 Environmental Management Systems (EMS)	1	1
FSSC 22000 Food Safety Management Systems	6	9
Accident Compensation Corporation (ACC)	1	7
Maritime Audits (MOSS)	2	9
Customer Food Safety Audits	1	1
Fleet Governance and Due Diligence Audit (HSE NZ)	1	9
Total Audits Conducted	64	98

Footprint changes for our North Island Operations

With just 0.35% of the world's seafood supply, New Zealand's fishing operations will never compete on scale. That's why Sanford is so focused on growing the value returned on every kilogram of seafood we harvest.

As this focus intensifies, tough decisions must be made, especially when it comes to allocating capital. This year, with our pelagic assets in Tauranga, we could see the need to replace vessels and to upgrade our blast freezing capability. That would make sense if the operations were aligned to our value growth strategy, but the core business, while sound, primarily dealt with whole frozen commodity species like mackerel, trevally and kahawai, with an often-variable seasonal boost from migrating skipjack tuna.

The decision to divest was made easier by our long-standing relationship with Pelco NZ Ltd, a local family-owned operation with values closely aligned to ours. We have supported one another over the years and our divestment provided an opportunity for them to significantly increase their business, creating a critical mass to actively manage the fishery, provided the due diligence proved satisfactory.

The sale, agreed in December 2018, included three purse seine fishing vessels, processing equipment and our East Coast pelagic quota mostly within Fisheries Management Area (FMA) 1, and with smaller volumes in FMA 2 and 3. This reduced our overall quota holdings from 22% to 19%.

Divestments and acquisitions work best when people are willing to work well together. In this case, there was a lot of friendship and goodwill on both sides. We agreed on a settlement date after the skipjack season, so it would not impact negatively on fishermen's income and enable time for a smooth transition.

Our engineering team also moved and adapted our processing line to Pelco's site, an uncommon practice, but they took pride in the project. The transition was achieved with a relatively minimal impact on our Tauranga employees, and we appreciate the way they managed themselves and the business through a period of uncertainty and some disruption.

We are grateful to the fishermen and support teams for their service to Sanford and pleased that many are now contributing their knowledge to Pelco's success with its newly acquired economies of scale.





Footprint changes in the South

Our shift to a higher-value business is delivering, but change can be difficult. When we needed to make changes at our Bluff and Timaru wet fish processing sites, it was important to explain the why before we could constructively talk about the how.

The why was straightforward. A reduction in deepwater fish being landed for reprocessing at both Timaru and Bluff, changing requirements for our salmon and toothfish portion business and a drop overall in the wet fish being caught around the South Island meant neither site had enough predictable and continuous volumes.

Our proposal was to focus on specialisation for each site, given Bluff's proximity to our Big Glory Bay farm and its expertise in world class salmon production and Timaru's location as the main landing site for most wet fish. We envisaged Bluff as a centre of excellence for salmon, in advance of more volume growth from our Big Glory Bay farm, while Timaru would excel in securing the best quality from our wet fish harvests.

There was also a related opportunity to make better use of the vessel Ikawai, moving it away from catching low-value, loss-making barracuda to replace North Island inshore vessel, the Ana which had come to the end of its economic life.

While change is unsettling for everyone, but especially our long-serving people, we received a wealth of constructive comment and valid, informed criticism that we took on board and adjusted our original proposal accordingly. The effort everyone made, enabled us to achieve a final structure with agreed reporting lines, skill sets and their related job titles. Of the 26 roles identified to be disestablished, we had nine redeployment opportunities, with the remaining 17 employees taking voluntary redundancy.

We appreciate the way all our people contributed. We know it was hard, but we are confident in what has been achieved.

Our future focus

MATERIAL ISSUES & STRATEGIC GOALS	2020 TARGETS	OUR 2025 VISION
<p>Shareholder value</p> <p>Improve our business margins and create shareholder value in a sustainable way.</p>	<p>Year on year improvement towards our EBIT/kg (greenweight) goal of \$1.</p> <p>Continue to incrementally improve Sanford's return on capital employed (ROCE).</p> <p>Deliver capital plans, which will support future sustainable shareholder value growth and the drive to meet Sanford's strategic objectives.</p>	 <p>Sanford achieves year on year sustainable, profitable growth such that it achieves consistent annual returns of at least \$1 EBIT/kg (greenweight).</p>
<p>Risk</p> <p>The business clearly identifies and understands the prioritisation of risks and the required mitigation actions to actively manage the risk to acceptable levels, thereby preserving the value of Sanford.</p>	<p>Rollout of the newly revised ERM framework and processes, such that all senior managers through to supervisors understand the key risks impacting their function and site.</p> <p>Continued monitoring and reporting as to the effectiveness of the mitigating controls in order that immediate action takes place when required to ensure the successful management of the risks.</p> <p>Ensure that our financial planning sufficiently captures climate related risks that have been identified impacting the Sanford business.</p>	 <p>An ERM framework and process embedded such that it enables management and board to make optimal decisions that add sustainable value to the business and its stakeholders.</p> <p>Report in compliance with the TCFD framework (TCFD - 'Task Force on Climate Related Financial Disclosures').</p>
<p>Governance</p> <p>Be recognised as a company which governs with clearly defined values for the greater good of all stakeholders. Clear demonstration of an ethical approach across all areas of corporate responsibility.</p>	<p>Consistently adopt best practise governance practices.</p>	 <p>Sanford is an exemplar of a responsible, ethical, and transparent organisation that is governed with care, passion, integrity and with an overall principle of achieving together.</p> <p>Governance supports the achievement of Sanford's strategic goals to meet stakeholder expectations.</p>
<p>Communication</p> <p>Proactively engage with key stakeholders and communicate with clarity and transparency to build and protect our social licence.</p>	<p>External communications – Continue to grow relationships with key stakeholders in media, policy and science, by sharing stories of Sanford's innovation, sustainability and passion for the oceans.</p> <p>Internal communications – commit to create and distribute by multimedia communications to all our people to ensure a greater understanding as to the diversity and richness of Sanford's employees, its operations and to connect our people more strongly to our purpose and vision.</p>	 <p>Sanford's external communications reflect Sanford as a respected, influential and trusted contributor to the New Zealand conversation about fisheries management and sustainability. Our view is sought both locally and globally by media, policy makers, scientists and NGOs and we have a reputation for transparency and integrity.</p> <p>Sanford's internal communications positively support and assist the culture change within the company to align behaviours to our values and business objectives.</p>



MATERIAL ISSUES & STRATEGIC GOALS

2020 TARGETS

OUR 2025 VISION

Innovation and Technology

The creation of increasing value through innovation and technology.

Implement phase 1 of the Sancore business system transformation programme. Phase 1 involves a new quality, safety/health and environmental software to assist in the capturing and reporting of this critical data.

Complete the analysis and configuration stage of phase 2 of Sancore, called the Anchor Project. This includes the implementation of a new finance, manufacturing and supply chain ERP.

Complete the successful implementation and commissioning of a new automated fish filleting machine at the Timaru processing site.

Work alongside our development partner, Calder & Stewart, throughout 2020 to meet the target of opening Sanford's new Blenheim based marine extract facility in 2021.

Complete the design phase and have on order the first of Sanford's new scampi vessels.

The commercialisation of MHS across Sanford owned and contracted trawlers.

Complete the commercial strategy of Sanford's spat hatchery (SPATnz Ltd) to ensure this successful scientific project is optimised over the next five years and is compliant with the PGP.

Implement the action plan to mitigate the risk of algal blooms at Sanford's salmon farm in Big Glory Bay.



Optimise the use of innovation and technology in order to maximise stakeholder value, focusing on achieving sustainable outcomes.

These targets for 2020 have been informed by Sanford's strategy, Global Reporting Initiative (GRI) Sustainability Reporting Standards and a review of international guidance¹ on business commitments to support achievement of the UN Sustainable Development Goals.



1. GRI and UN Global Compact 2017: *Business Reporting on the SDGs – An Analysis of the Goals and Targets*.

Corporate Governance

GOVERNANCE AND LEADERSHIP FOR VALUE CREATION

The Board of Directors of Sanford Limited (the Board) and management are committed to building long-term value for shareholders and employees. We are honouring this commitment by maintaining the highest standards of governance, supported by best practice structures, people, practices and policies. This includes maintaining high standards of business integrity and ethics in all our activities.

This section provides an overview of Sanford's Corporate Governance Framework, introduces our Board and Executive team, and details pertinent information on remuneration, shareholdings, indemnity and insurance.

For further details on governance structure, policies and practices, please refer to the Sanford Corporate Governance Statement 2019, available at: www.sanford.co.nz/investors/governance/corporate-governance-statement.

GOVERNANCE FRAMEWORK

The Board, supported by the Audit, Finance and Risk, Safety Health and Environment, People, Sales, Marketing, Innovation & Food Safety and Board Nomination Committees, regularly reviews and benchmarks our structure and processes to ensure they support effective and ethical leadership, good corporate citizenship and sustainability. This oversight also ensures that these principles are applied in the best interests of Sanford and our diverse range of stakeholders. As a listed company on the NZX, our governance practices and policies reflect, and are consistent with, the Listing Rules. The Company considers that the governance practices we have adopted follow these principles and policies for the year ended 30 September 2019.

The Board provides effective leadership in the best interest of Sanford and is responsible for the strategic direction and control of the Company. The Board exercises this control through a governance framework, which includes detailed reporting to the Board and its Committees, effective delegation, risk management and a system of assurances regarding financial reporting and internal controls.

Sanford's constitution, and each of the charters, codes and policies are referred to in our Corporate Governance

Statement 2019. The Board's charter recognises the respective roles of the Board and management, and reflects

the sound base the Board has developed for providing strategic guidance and oversight of management.



It is with great respect and gratitude that we will be farewelling our Chairman Paul Norling when he retires at his eleventh and final annual meeting of shareholders in December.

On announcing his retirement, Paul commented that it had been a privilege to be Chairman of Sanford. The privilege, however, has been ours. Since he joined our Board in 2008, and especially since his appointment as Chair in 2015, Paul has guided us with his extensive knowledge of corporate strategy, governance and the optimisation of shareholder value. He has drawn on a deep well of experience in merchant banking to the benefit of the Board, our Chief Executive Officer and leadership team and our shareholders, whose interests he so conscientiously safeguarded.

Paul has commented on his pleasure at seeing our company on a voyage of transformation, during his tenure. He has been far more than a spectator. He has been a significant part of that voyage, navigating us as we focus on becoming a producer of branded seafood and other value added marine based products. Paul can confidently step down in December, knowing that he has motivated us all to continue the voyage of transformation.

He has handed his navigator's sextant to Sir Robert McLeod, who will take over as Chairman following the 2019 annual meeting. On behalf of our Sanford family of employees and shareholders, we thank Paul for his tireless commitment, his wit and wisdom and his guidance and we wish him well on his retirement.

Our Directors and Board Composition



Left to right: Peter Goodfellow, Peter Cullinane, Abby Foote, Paul Norling, Sir Robert McLeod and Peter Kean

The Board currently comprises six directors: Peter Goodfellow, Paul Norling, Peter Kean, Robert McLeod, Abigail Foote and Peter Cullinane.

Sanford's Directors bring a diverse wealth of experience and passion, acting on behalf of our shareholders and other stakeholders. Directors are chosen for their corporate leadership skills, professional backgrounds, experience and expertise. The right blend of skills and experience, combined with the diversity of Directors' perspectives, is crucial to ensuring the attainment of long-term value for Sanford's shareholders.

In 2019, we welcomed Peter Cullinane to our Board, replacing Bruce Goodfellow who retired on 14 December 2018. In August 2019, Chairman Paul Norling formally advised the Sanford Board that he would retire from the position of Chairman and as a Director of the Company, following the Company's annual shareholders' meeting on 13 December 2019. Mr Norling will be replaced by our current Deputy Chair, Sir Robert McLeod.

Under the NZX Listing Rules, a director must not hold office (without re-election) past the third annual meeting following that Director's appointment or 3 years, whichever is longer.

Accordingly, Peter Kean is required to retire (having held office since 2014 as an independent director of the Company). Being eligible, Peter Kean has offered himself for re-election at the Annual Meeting in December 2019.

Further, under the NZX Listing Rules, any director appointed by the Board during the year must retire from office at the next annual meeting but is eligible for election at that meeting. Peter Cullinane, being a Director who was appointed by the Board during the year, retires from office. Being eligible, Peter Cullinane has offered himself for election at the Annual Meeting in December 2019.

INDEPENDENCE

As at the 30 September 2019, all Directors are considered by the Board to be "independent" directors, except for Peter Goodfellow. Those five Directors are considered to be independent due to the following factors:

- They are non-executive directors who are not substantial shareholders and who are free of any interest, business or other relationship that would materially interfere with, or could reasonably be seen to materially interfere with, the independent exercise of their judgement.
- They have not been employed or retained, within the last three years, to provide material professional services to the Company.

- Within the last 12 months, they were not a partner, director, senior executive or material shareholder of a firm that provided material professional services to the Company or any of its subsidiaries.
- None of those directors:
 - have been, within the last three years, a material supplier to the Company or have any other material contractual relationship with the Company or another group member other than as a director of the Company;
 - receive performance-based remuneration from, or participates in, an employee share scheme of the Company;
 - control, or is an executive or other representative of an entity which controls, 5% or more of the Company's voting securities.

Peter Goodfellow is not considered to be independent as he has served on the Board since 2006 and he is associated with a significant shareholder of the Company (Amalgamated Dairies Limited).

For more information about each Director, please visit: <http://www.sanford.co.nz/investors/governance/board-of-directors>.

Our Executive Team

Our vision is to become the Best Seafood Company in the World. Our strategy is designed to support it and is being implemented by a strong Executive Team who are all experts in their respective fields.

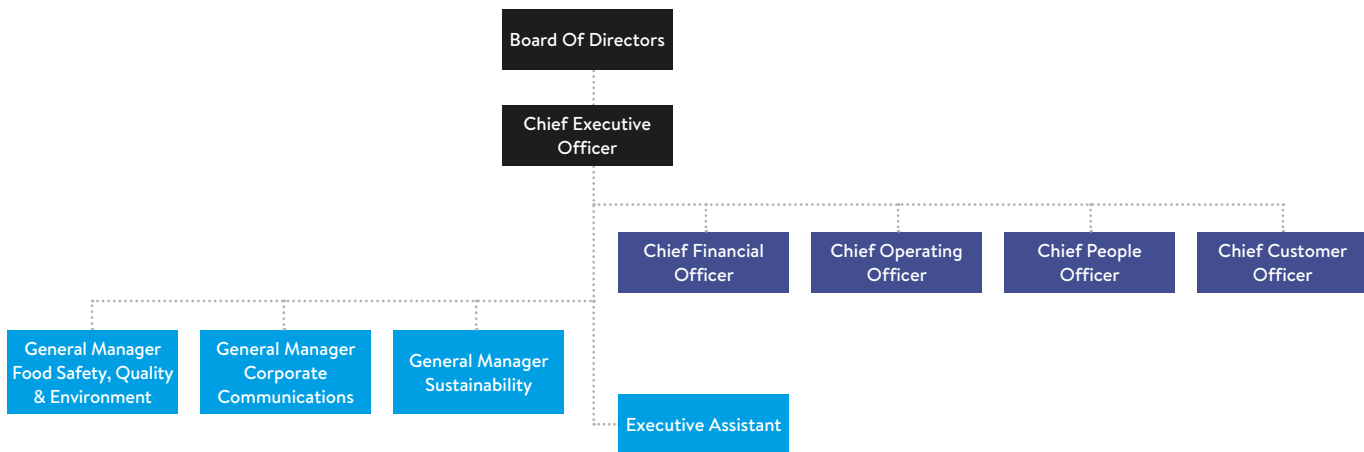
They are Chief Executive Officer Volker Kuntzsch, Chief Operating Officer, Clement Chia, Chief People Officer, Karen Duffy, Chief Financial Officer, Katherine Turner and Chief Customer Officer, Andre Gargiulo.



Left to right: Clement Chia, Karen Duffy, Andre Gargiulo, Katherine Turner and Volker Kuntzsch

EXECUTIVE AND CEO DIRECT REPORT ORGANISATION CHART

The Board and Chief Executive Officer (CEO) are effectively assisted by the Executive team who are direct reports to the CEO. All direct reports to the CEO are shown in the following diagram, with members of the Executive team shown in dark blue:



For more information about our Executive team, please visit: <http://www.sanford.co.nz/about-sanford/executive-team>.

GENDER DIVERSITY

In accordance with previous years, we continue to report the gender composition of our Directors and our Senior Leadership Team.

The Board is comprised of six members (2018: six), of which five are male (2018: five), and one is female (2018: one). The gender diversity of the Board comprises 83% male and 17% female representation.

The Senior Leadership Team (inclusive of the Executive team) is comprised of 28 members, (2018: 28) of which 19 are male (2018: 19) and nine are female (2018: nine).

Indemnity and Insurance

In accordance with section 162 of the Companies Act 1993 and the constitution of the Company, Sanford has given indemnities to, and has effected insurance for, the directors and executives of the Company and its related companies. Except for some specific matters that are expressly excluded, the indemnities and insurance indemnify and insure directors and executives against monetary losses as a result of actions undertaken by them in the course of their duties.

Specifically excluded are certain matters, such as the incurring of penalties and fines, which may be imposed for breaches of law.

Remuneration

The following tables provide a breakdown of remuneration for Board fees and committee roles. No other payments were made to Directors.

DIRECTORS' REMUNERATION 2019

NAME OF DIRECTOR	BOARD FEES	AUDIT, FINANCE & RISK COMMITTEE	SAFETY, HEALTH AND ENVIRONMENT COMPLIANCE COMMITTEE ⁶	PEOPLE COMMITTEE	SALES, MARKETING, INNOVATION AND FOOD SAFETY COMMITTEE ⁵	TOTAL REMUNERATION
Paul Norling (Chair)	170,000	10,000	8,000	2,500	5,333	195,833
Sir Robert McLeod (Deputy Chair) ¹	117,500	20,000 (Chair)	8,000	5,000		150,500
Peter Cullinane ²	60,000				5,333	65,333
Abigail (Abby) Foote ³	90,000	10,000	13,334 (Chair)			113,334
Peter Goodfellow	90,000			15,000 (Chair)		105,000
W Bruce Goodfellow ⁴	22,500		2,000			24,500
Peter Kean	90,000		5,333	7,500	10,667 (Chair)	113,500
Total	640,000	40,000	36,667	30,000	21,333	768,000

1. Deputy Chair from 1 November 2018; fees do not represent a full year
2. Appointed 1 February 2019; fees do not represent a full year
3. Chair from 1 February 2019; fees do not represent a full year

4. Retired 14 December 2018; fees do not represent a full year
5. New committee from 1 February 2019; fees do not represent a full year
6. Committee name change in 2019

DIRECTORS' REMUNERATION 2018

NAME OF DIRECTOR	BOARD FEES	AUDIT, FINANCE & RISK COMMITTEE ³	HEALTH & SAFETY AND REGULATORY COMPLIANCE COMMITTEE	PEOPLE COMMITTEE	TOTAL REMUNERATION
Paul Norling (Chair)	150,000	9,375	7,375	6,500	173,250
Elizabeth (Liz) Coutts ¹	21,250	5,000			26,250
Abigail (Abby) Foote ²	56,666	6,667	5,167		68,500
Peter Goodfellow	85,000			11,750 (Chair)	96,750
W Bruce Goodfellow	85,000		7,375		92,375
Peter Kean	85,000		13,188 (Chair)	7,750	105,938
Sir Robert McLeod	85,000	16,875 (Chair)	8,937		110,812
Total	567,916	37,917	42,042	26,000	673,875

1. Retired 13 December 2017; fees do not represent a full year
2. Appointed 1 February 2018; fees do not represent a full year
3. Audit Finance and Risk Committee name change in 2018, to explicitly include risk

CHIEF EXECUTIVE OFFICER (CEO) REMUNERATION

The CEO's remuneration consists of fixed remuneration, a short term incentive (STI) and a long term incentive (LTI). This is reviewed annually by the People Committee and the Board after reviewing the Company's performance, the CEO's individual performance and advice from external remuneration specialists.

Short Term Incentive (STI)

The aim of the STI is to reward the CEO for achieving strategic objectives, which will result in strong financial returns for our shareholders. Participation in the plan is by annual invitation at the discretion of the Company at which time financial targets and key performance indicators are established. If minimum financial thresholds are not met, no incentive will be paid. The STI value is set at 30% of the CEO's base salary. The STI has two components, individual performance and financial performance. Individual performance accounts for 30% and is based on achieving certain personal performance goals. Financial performance accounts for 70% and is based on EBIT against prior year.

For FY19 the financial threshold is set at achieving 115% of prior year EBIT with the maximum target set at 130%. Achievement of the maximum financial target results in a payment of 100% of the financial performance component. Payment outside these parameters is at the sole discretion of the Board. The STI payments are shown in the financial year that they are paid, which may not be the same year that they are earned.

Long Term Incentive (LTI)

In July 2014, the Company announced an LTI plan for the CEO. The LTI plan is designed to improve the long-term sustainable performance of the Company by incentivizing and motivating the CEO and to encourage share ownership. The Board retain absolute discretion as to whether any future offers will be made and to review the terms. The benefits provided under the plan are capped at 30% of the CEO's annual base salary, which at the time was the equivalent of up to \$240,000 under the 2014 offer. This is then translated to the equivalent number of shares based on the weighted average share price over the 10 trading days immediately following the market announcement of the annual financial results for the year. The CEO has been granted three tranches of Performance Share Rights as follows:

- Tranche one – 53,097 issued 28 July 2014
- Tranche two – 46,466 issued 17 December 2014
- Tranche three – 42,770 issued 11 December 2015

Each tranche vests over a consecutive three year period. A Performance Share Right represents a conditional right to, upon vesting, acquire a Sanford Limited ordinary share at a nil exercise price. If the CEO departs the Company's employ for any reason prior to vesting, all Performance Share Rights will lapse. Vesting is conditional on achieving certain threshold levels in relation to the objective to progressively improve underlying operating profit to a level which approximates 130% of its Weighted Average Cost of Capital

over a five year period. The threshold for tranche one was achieved for the vesting period ended 30 September 2016 resulting in 21,735 (41%) Performance Share Rights becoming Eligible Share Rights that the CEO subsequently exercised in April 2017. The balance of 31,362 Performance Share Rights are foregone. The threshold for tranche two was not achieved for the vesting period ended 30 September 2017 resulting in 46,466 Performance Share Rights being foregone. The threshold for tranche three was not achieved for the vesting period ended 30 September 2018 resulting in 42,770 Performance Share Rights being foregone.

A second LTI plan was established in February 2017 effective for the period commencing 1 October 2018. This is on similar terms and conditions to the 2014 plan but with the benefits provided under the 2017 plan capped at 30% of the CEO's current annual base salary at the time, which is the equivalent of up to \$253,800 for tranche one and \$259,500 for tranches two and three. Vesting is conditional on achieving certain threshold levels in relation to achieving a Return on Funds Employed Compound Annual Growth Rate of 18% over a three year period.

The CEO was granted the following Performance Share Rights:

- Tranche one – 38,525 issued 22 February 2017
- Tranche two – 32,494 issued 23 February 2018
- Tranche three – 37,175 issued 14 December 2018

The CEO is not a member of the Board.

YEAR	BASE SALARY \$	VEHICLE ALLOWANCE \$	FIXED REMUNERATION \$	PAY FOR PERFORMANCE		TOTAL REMUNERATION \$
				STI	LTI	
FY19*	882,500	50,000	932,500	-	-	932,500
FY18*	865,000	50,000	915,000	76,000	-	991,000

*Based on year the amount was paid

EMPLOYEES' REMUNERATION

The table below shows the number of employees and former employees who received remuneration and other benefits in excess of \$100,000 during the year ended 30 September 2019. The table does not include amounts paid after 30 September 2019 that relate to the year ended 30 September 2019.

REMUNERATION RANGE \$000	NUMBER OF EMPLOYEES	REMUNERATION RANGE \$000	NUMBER OF EMPLOYEES
100 – 110	33	250 – 260	4
110 – 120	29	270 – 280	1
120 – 130	17	290 – 300	1
130 – 140	19	300 – 310	1
140 – 150	11	310 – 320	1
150 – 160	11	320 – 330	3
160 – 170	11	350 – 360	1
170 – 180	4	370 – 380	1
180 – 190	4	420 – 430	1
190 – 200	2	450 – 460	1
200 – 210	2	490 – 500	1
210 – 220	1	520 – 530	1
220 – 230	4	930 – 940	1
230 – 240	2		

Shareholdings

DISCLOSURE OF DIRECTORS' INTERESTS

Interests Register

Sanford maintains an Interests Register in which relevant transaction and matters involving the Directors are recorded. Details of Directors' interests are set out in the Directors' Shareholding table below.

DIRECTORS' INTEREST IN SHARES

The Directors disclosed the following relevant interests in shares as at 30 September 2019:

	BENEFICIAL INTEREST		NON BENEFICIAL INTEREST		ASSOCIATED PERSONS	
	2019	2018	2019	2018	2019	2018
P D Cullinane ¹	12,000	n/a	-	n/a	-	n/a
A K Foote ²	12,000	12,000	-	-	-	-
P J Goodfellow	127,200	127,200	-	-	-	-
W B Goodfellow ³	n/a	146,049	n/a	-	n/a	500
P N Kean	5,000	5,000	-	-	-	-
R A McLeod	8,500	8,500	-	-	-	-
P G Norling	43,500	43,500	-	-	-	-

1. Appointed 1 February 2019
2. Appointed 1 February 2018
3. Retired 14 December 2018

SHARE TRADING

Sanford's Constitution directs that each Director holds a minimum of 500 shares in the Company. Directors and Executives are required to seek approval in advance of share trading, and certify to the Board that they are not in possession of inside information, in accordance with the Share Trading Policy and Guidelines.

The Board has determined that share trading may only occur during two trading window periods in each year. The periods commence at the time the interim and annual reports are announced and end on 31 August, after the end of the half-year and on 28 February, after the end of the financial year.

Directors acquired shares during the year as follows:

	NUMBER OF SHARES ACQUIRED	CONSIDERATION PAID	DATE
P D Cullinane	12,000	\$80,040	14 February 2019

External Auditor

KPMG were commissioned as Sanford's external auditors for the year ending 30 September 2019. The Board, after considering the recommendation of the Audit, Finance and Risk Committee, assess and review the appointment of external auditors. It is proposed that the current Auditor should continue in office, in accordance with Section 207T of the Companies Act 1993.

Statutory Information

SHAREHOLDING ANALYSIS

AS AT 18 OCTOBER 2019

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 to 999	615	24.89	270,732	0.29
1,000 to 4,999	1,156	46.78	2,411,452	2.58
5,000 to 9,999	316	12.79	2,038,977	2.18
10,000 to 49,999	290	11.74	5,462,487	5.83
50,000 to 99,999	29	1.17	1,987,677	2.12
Over 100,000	65	2.63	81,455,410	87.00
	2,471	100.00	93,626,735	100.00

TWENTY LARGEST SHAREHOLDERS

AS AT 18 OCTOBER 2019

SHAREHOLDER	NUMBER OF SHARES	%
Amalgamated Dairies Limited	11,221,567	11.98
Forsyth Barr Custodians Limited <1-Custody>	7,354,406	7.85
Citibank Nominees (New Zealand) Limited	5,853,240	6.25
BNP Paribas Nominees (NZ) Limited	4,762,607	5.09
HSBC Nominees (New Zealand) Limited	4,601,217	4.91
Maruha Nichiro Corporation	4,534,231	4.84
Masfen Securities Limited	4,429,605	4.73
Accident Compensation Corporation	3,600,116	3.85
TEA Custodians Limited Client Property Trust Account	2,944,661	3.15
BNP Paribas Nominees (NZ) Limited	2,494,437	2.66
Sterling Nominees Limited	2,159,037	2.30
Tasman Equity Holdings Limited	2,098,556	2.24
National Nominees New Zealand Limited	1,690,833	1.81
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	1,501,526	1.60
JB Were (NZ) Nominees Limited <NZ Resident A/C>	1,496,118	1.59
Kevin Glen Douglas & Michelle Mckenney Douglas <K & M Douglas A/C>	1,395,180	1.49
FNZ Custodians Limited	1,351,815	1.44
ANZ Wholesale Australasian Share Fund	1,294,452	1.38
Arden Capital Limited	1,112,830	1.18
JP Morgan Chase Bank NA NZ Branch-Segregated Clients Acct	925,660	0.99

As required by the NZX Listing Rules, New Zealand Central Securities Depository Limited holdings are now included in the table and are not detailed separately.

SUBSTANTIAL PRODUCT HOLDERS

According to the Company’s records and substantial product holder notices given to the Company under the Financial Markets Conduct Act 2013, as at 30 September 2019, the following were substantial product holders in the Company through having a relevant interest in the Company’s ordinary shares:

SUBSTANTIAL PRODUCT HOLDER	NUMBER OF VOTING SECURITIES	% OF ORDINARY SHARES HELD AT DATE OF LAST NOTICE	DATE OF NOTICE
Amalgamated Dairies Limited	11,221,567	11.99%	26-Aug-19
Forsyth Barr Investment Management Limited	5,202,469	5.56%	1-Nov-18
Harbour Asset Management Limited	7,321,752	7.83%	26-Aug-19

The total number of quoted voting products of Sanford Limited on issue as at 30 September 2019 was 93,626,735.

WAIVERS AND EXEMPTIONS FROM THE NZ STOCK EXCHANGE AND THE OVERSEAS INVESTMENT OFFICE

NZX Waiver – Overseas Ownership

In November 2016, NZX granted the Company a waiver from the previous NZX Main Board Listing Rule 11.1.6 (now NZX Listing Rule 8.1.5) which allows the Company to suspend the voting rights of any of the Company’s shares which are “Affected Shares” (*Waiver*).

“Affected Shares” are those shares which the Board determines have caused the Company to be in breach of the “Overseas Ownership Threshold” (currently, a level of overseas ownership of 22.5% of the Company) and in respect of which the Board can exercise its powers to require (or effect) a sale of the “Affected Shares” to a “Non-Overseas Person”.

Following the implementation of the new NZX Listing Rules dated 1 January 2019, NZX re-documented the Waiver under the new NZX Listing Rules and that waiver was released on 22 May 2019 (Re-issued Waiver). The full text of the Re-issued Waiver can be found here: <https://www.nzx.com/companies/SAN/documents>.

NZX also granted approval for the Company to include provisions in its Constitution which allow the Board to restrict the transfer of the Company’s shares to “Overseas Persons” and which allow the Board to require certain documentation and/or information in relation to a proposed transfer or transferee of the Company’s shares. The full text of NZX’s approval can be found here: <https://www.nzx.com/announcements/293474>.

A more detailed outline and explanation of the effects of the powers that the Board has to restrict the transfer and in certain circumstances suspend voting rights of securities can be found on our website www.sanford.co.nz/investors/governance/company-constitution/, and the provisions which enable the Board to exercise those powers are set out in the Company’s Constitution.

OIO Exemption – Overseas Ownership

In September 2018, the Overseas Investment Office granted the Company an exemption from the requirement under the Overseas Investment Act 2005 to obtain consent prior to acquiring “fishing quota” in certain limited circumstances.

The exemption, which is subject to conditions, means that the Company will not breach the Overseas Investment Act if it acquires

“fishing quota” at a time when the Company has a level of overseas ownership of 25% or more, provided that the Company did not know (or could not reasonably have known) that its level of overseas ownership was 25% or more at the time of the acquisition. If Sanford acquires fishing quota under such circumstances, the exemption allows the Company a period of time to either (i) lower its overseas ownership to a level below 25%; or (ii) dispose of the fishing quota it acquired when the Company was 25% or more overseas owned. Sanford is obliged to undertake a quarterly analysis of its share register in order to determine its level of overseas ownership.

The Company sought this exemption to complement the provisions introduced to its constitution in 2016 which enable the Board to require (or effect) a sale of the “Affected Shares” to a “Non-Overseas Person” (as discussed above).

The exemption currently runs until 31 August 2023, and the Company must comply with certain conditions in order to have the continued benefit of the exemption.

For the avoidance of doubt, this exemption does not exempt any overseas person from any requirement to obtain consent under the Overseas Investment Act before giving effect to an acquisition of rights or interests in the Company’s securities.

Current level of overseas ownership

The Company estimates Overseas Person ownership to be 15.50% based on NASDAQ most recent reporting, as at 30 August 2019 (14.62% at 30 September 2018). Sanford’s level of overseas ownership may have changed since this estimate was prepared. Overseas persons intending to trade in Sanford shares should seek legal advice regarding their obligations under the Overseas Investment Act 2005.

NZX Waiver – NZX Listing Rules Transition

The Company transitioned to the new NZX Listing Rules (dated 1 January 2019) on 22 May 2019, and has relied on the class waivers and rulings granted by NZX Regulation on 19 November 2018 in relation to the transition (for example, this class waiver allowed NZX issuers to delay updating their constitution (to be consistent with the new NZX Listing Rules) until the relevant issuer’s first annual meeting of shareholders after it transitioned to the new NZX Listing Rules).

Non-GAAP Profit Measures

Sanford's standard profit measure prepared under New Zealand GAAP is net profit. Sanford have used non-GAAP measures when discussing financial performance in this document. The Directors and management believe that these measures provide useful information as they are used internally to evaluate divisional and total Group performance and to establish operating and capital budgets. Non-GAAP profit measures are not prepared in accordance with NZ IFRS (New Zealand equivalents to International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures included in this report are not comparable with those used by other companies. They should not be viewed in isolation or as a substitute for GAAP profit measures as reported by Sanford in accordance with NZ IFRS.

DEFINITIONS

- EBITDA:** Earnings before interest, taxation, non-trading currency exchange losses, depreciation, restructuring, adjusting items, impairment and gain (loss) on sale of investments, intangible and long term assets.
- Reported EBIT:** Earnings before interest, taxation, non-trading currency exchange losses and gain (loss) on sales of investments, intangible and long term assets.
- Adjusted EBIT:** Reported EBIT adjusted for impairment, restructuring and other one-off items.

GAAP to Non-GAAP Reconciliation

	Audited 30 September 2019 \$000	Audited 30 September 2018 \$000
Reported net profit for the period (GAAP)	41,692	42,300
<i>Add back:</i>		
Income tax expense	17,631	17,664
Net interest	7,866	8,065
Non-trading currency exchange losses	26	116
Net gain on sale of investments, property, plant & equipment and intangibles	(4,614)	(463)
Reported EBIT	62,601	67,682
<i>Adjustments:</i>		
Impairment of assets	635	3,387
Provision for one-off vessel disposal costs	-	60
Restructuring	1,609	377
Havelock earthquake insurance settlement, net of repair cost	-	(6,835)
Adjusted EBIT	64,845	64,671
<i>Add back:</i>		
Depreciation	20,884	19,731
EBITDA	85,729	84,402

FIVE YEAR FINANCIAL REVIEW

	2019 \$000	2018 \$000	2017 \$000	2016 \$000	2015 \$000
Revenue⁽ⁱ⁾	545,121	514,976	477,940	463,472	450,332
EBITDA*	85,729	84,402	82,547	78,873	64,362
Depreciation	(20,884)	(19,731)	(18,803)	(15,515)	(16,901)
Restructuring costs	(1,609)	(377)	(418)	(228)	(3,048)
Havelock earthquake insurance settlement, net of repair cost	-	6,835	-	-	-
Impairment of assets	(635)	(3,387)	(2,130)	(5,389)	(13,287)
Other one-off items	-	(60)	(474)	-	-
EBIT	62,601	67,682	60,722	57,741	31,126
Net interest expense	(7,866)	(8,065)	(8,492)	(8,193)	(9,460)
Non-trading currency exchange losses	(26)	(116)	-	-	-
Net gain (loss) on sale of investments, property, plant and equipment and intangible assets	4,614	463	(580)	(136)	136
Profit before income tax	59,323	59,964	51,650	49,412	21,802
Income tax expense	(17,631)	(17,664)	(14,172)	(14,681)	(8,024)
Profit for the year	41,692	42,300	37,478	34,731	13,778
Non controlling interest	4	3	8	13	21
Profit attributable to equity holders of the Company	41,696	42,303	37,486	34,744	13,799
Equity					
Paid in capital	94,690	94,690	94,690	94,958	95,027
Reserves	492,817	486,659	480,619	462,779	417,592
Non controlling interest	675	585	527	398	451
Total equity	588,182	581,934	575,836	558,135	513,070
Represented by:					
Current assets	164,412	155,095	150,363	141,149	127,708
Less current liabilities	114,380	99,495	123,682	90,366	114,082
Working capital	50,032	55,600	26,681	50,783	13,626
Property, plant and equipment	141,774	130,787	132,000	119,841	93,658
Investments	1,831	1,494	10,940	11,313	10,964
Biological assets	20,074	15,077	16,448	14,978	12,654
Intangible assets	493,111	506,249	504,398	500,327	500,356
Derivative financial instruments	11	669	5,816	10,228	-
	706,833	709,876	696,283	707,470	631,258
Less non-current liabilities	118,651	127,942	120,447	149,335	118,188
Total net assets	588,182	581,934	575,836	558,135	513,070
Dividend per share (cents)	23 [†]	23 [†]	23 [†]	23 [†]	23 [†]
Dividend cover (times)	1.9 [†]	2.0 [†]	1.7 [†]	1.6 [†]	0.6 [†]
Return on average total equity	7.1%	7.3%	6.6%	6.5%	2.6%
Earnings per share (cents)	44.6	45.2	40.1	37.1	14.8
Net asset backing per share	\$6.28	\$6.22	\$6.16	\$5.97	\$5.48

* Earnings before interest, taxation, non-trading currency exchange gains (losses), depreciation, restructuring, adjusting items, impairment and gain (loss) on sale of investments, intangible and long-term assets.

† Includes the dividends proposed after balance date.

(i) The Group, on adopting NZ IFRS 15 *Revenue from Contracts with Customers* has adjusted the recognition of revenue from export customers. This has resulted in revenue for arranging the export transport and insurance services being recognised net of the associated cost. As such, revenue for 2019 is not comparable with prior years. Refer to Note 4.

The five year financial review includes both the continuing and discontinued businesses.

FINANCIAL STATEMENTS 2019

The Directors are pleased to present the Financial Statements of the Group for the year ended 30 September 2019.

For and on behalf of the Board of Directors:



Paul G Norling
Chairman
13 November 2019



Sir Robert A McLeod
Deputy Chairman
13 November 2019

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INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 \$000	2018 \$000
Revenue	4	545,121	514,976
Cost of sales		(437,745)	(401,069)
Gross profit		107,376	113,907
Other income		12,663	14,448
Distribution expenses	4	(9,601)	(22,873)
Administrative expenses	5	(30,945)	(26,072)
Other expenses	5	(12,853)	(12,453)
Operating profit		66,640	66,957
Finance income	6	678	462
Finance expense	6	(8,557)	(8,628)
Net finance expense		(7,879)	(8,166)
Share of profit of equity accounted investees	13	562	1,173
Profit before income tax		59,323	59,964
Income tax expense	7	(17,631)	(17,664)
Profit for the year		41,692	42,300
Profit attributable to:			
Equity holders of the Company		41,696	42,303
Non controlling interest		(4)	(3)
		41,692	42,300
Earnings per share, net of tax attributable to equity holders of the Company during the year (expressed in cents per share)			
Basic and diluted earnings per share (cents)			
From profit for the year	16	44.6	45.2

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	2019 \$000	2018 \$000
Profit for the year (after tax)	41,692	42,300
Other comprehensive income		
<i>Items that may be reclassified to the income statement</i>		
Foreign currency translation differences	(68)	20
Change in fair value of cash flow hedges recognised in other comprehensive income	(18,642)	(20,055)
Deferred tax on cash flow hedges	5,220	5,616
Cost of hedging losses recognised in other comprehensive income	(752)	(566)
Deferred tax on cost of hedging	210	158
<i>Items that may not be reclassified to the income statement</i>		
Amount of treasury share cost expensed in relation to share-based payment	(1)	72
Other comprehensive loss for the year	(14,033)	(14,755)
Total comprehensive income for the year	27,659	27,545
Total comprehensive income for the year is attributable to:		
Equity holders of the Company	27,665	27,547
Non controlling interest	(6)	(2)
Total comprehensive income for the year	27,659	27,545

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	Note	2019 \$000	2018 \$000
Current assets			
Cash on hand and at bank	8	8,322	2,630
Trade receivables	9	61,241	49,759
Derivative financial instruments	19	265	3,438
Other receivables and prepayments		8,047	7,314
Biological assets	10	29,452	28,393
Inventories	11	48,558	45,869
Assets held for sale	18	8,527	17,692
Total current assets		164,412	155,095
Non-current assets			
Property, plant and equipment	12	141,774	130,787
Investments	13	1,831	1,494
Derivative financial instruments	19	11	669
Biological assets	10	20,074	15,077
Intangible assets	14	493,111	506,249
Total non-current assets		656,801	654,276
Total assets		821,213	809,371
Current liabilities			
Bank overdraft and borrowings (secured)	8	55,000	55,000
Derivative financial instruments	19	17,524	7,936
Trade and other payables	15	40,779	32,434
Taxation payable		1,077	4,125
Total current liabilities		114,380	99,495
Non-current liabilities			
Bank loans (secured)	19	84,000	100,000
Contributions received in advance		3,305	3,469
Employee entitlements	15	1,232	1,355
Derivative financial instruments	19	14,720	7,947
Deferred taxation	7	15,394	15,171
Total non-current liabilities		118,651	127,942
Total liabilities		233,031	227,437
Equity			
Paid in capital		94,690	94,690
Retained earnings		513,132	492,943
Other reserves		(20,315)	(6,284)
Shareholder funds		587,507	581,349
Non controlling interest		675	585
Total equity	16	588,182	581,934
Total equity and liabilities		821,213	809,371

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 \$000	2018 \$000
Cash flows from operating activities			
Receipts from customers		555,027	525,823
Havelock earthquake insurance settlement, net of deductible		-	10,096
Interest received		665	447
Dividends received		13	15
Payments to suppliers and employees		(483,581)	(446,319)
Income tax paid		(15,026)	(8,950)
Interest paid		(8,446)	(8,752)
Net cash flows from operating activities		48,652	72,360
Cash flows from investing activities			
Sale of property, plant and equipment		4,786	2,101
Sale of intangible assets		19,175	-
Sale of investments	18	8,958	-
Dividends received from associates	13	-	894
Purchase of property, plant and equipment and intangible assets		(38,348)	(24,739)
Purchase of shares		(9)	-
Purchase of business		-	(510)
Net cash flows from investing activities		(5,438)	(22,254)
Cash flows from financing activities			
Proceeds from borrowings		48,000	40,000
Repayment of term loans		(64,000)	(71,000)
Dividends paid to Company shareholders	17	(21,507)	(21,507)
Dividends paid to non controlling shareholders in subsidiaries		-	(27)
Net cash flows from financing activities		(37,507)	(52,534)
Net increase (decrease) in cash and cash equivalents		5,707	(2,428)
Effect of exchange rate fluctuations on cash held		(15)	29
Cash and cash equivalents at beginning of year		(52,370)	(49,971)
Cash and cash equivalents at 30 September		(46,678)	(52,370)
Represented by:			
Bank overdraft and borrowings (secured)		(55,000)	(55,000)
Cash on hand and at bank		8,322	2,630
	8	(46,678)	(52,370)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Reconciliation of Profit for the Period with Net Cash Flows from Operating Activities

	Note	2019 \$000	2018 \$000
Profit for the year (after tax)		41,692	42,300
Adjustments for non-cash items:			
Depreciation		20,884	19,731
Impairment of property, plant and equipment	12	512	2,314
Impairment of assets held for sale	18	-	560
Impairment of investment	13	25	-
Impairment of advance		98	513
Share-based payment expense		(1)	72
Change in fair value of biological assets		(6,056)	(8,974)
Change in fair value of foreign currency options		(915)	372
Change in fair value of forward exchange contracts		1,713	2,922
Share of profit of equity accounted investees	13	(562)	(1,173)
Increase in deferred tax	7	5,653	5,164
Unrealised foreign exchange gain		(911)	(2,894)
		20,440	18,607
Movement in working capital			
(Increase) decrease in trade and other receivables and prepayments		(11,089)	7,931
Increase in inventories		(2,697)	(2,291)
Increase in trade and other payables and other liabilities		8,131	3,015
Decrease in contributions received in advance		(164)	(287)
(Decrease) increase in taxation payable		(3,048)	3,548
		(8,867)	11,916
Items classified as investing activities			
Gain on sale of property, plant and equipment		(910)	(463)
Gain on sale of intangible asset		(3,911)	-
Loss on sale of other investments		208	-
		(4,613)	(463)
Net cash flows from operating activities		48,652	72,360

Reconciliation of movement of liabilities to cash flows arising from financing activities

	Lease Obligation \$000	Bank Loans (secured) \$000	Derivative Financial (Assets) Liabilities \$000	Total \$000
As at 1 October 2018	-	100,000	11,776	111,776
Proceeds from bank loans	-	48,000	-	48,000
Repayment of bank loans	-	(64,000)	-	(64,000)
Financing cash flows	-	(16,000)	-	(16,000)
Change in fair value of derivative financial instruments	-	-	20,192	20,192
As at 30 September 2019	-	84,000	31,968	115,968
As at 1 October 2017	450	131,000	(12,139)	119,311
Proceeds from bank loans	-	40,000	-	40,000
Repayment of bank loans	-	(71,000)	-	(71,000)
Financing cash flows	-	(31,000)	-	(31,000)
Change in fair value of derivative financial instruments	-	-	23,915	23,915
Settlement of lease obligation reflected as investing activities	(450)	-	-	(450)
As at 30 September 2018	-	100,000	11,776	111,776

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Note	Share Capital \$000	Share Based Payment Reserve \$000	Translation Reserve \$000	Cash Flow Hedge Reserve \$000	Cost of Hedging Reserve \$000	Retained Earnings \$000	Total \$000	Non Controlling Interest \$000	Total Equity \$000
Balance at 1 October 2018	94,690	402	476	(7,700)	538	492,943	581,349	585	581,934
Profit for the year (after tax)	-	-	-	-	-	41,696	41,696	(4)	41,692
Other comprehensive income									
Foreign currency translation differences	-	-	(66)	-	-	-	(66)	(2)	(68)
Hedging losses recognised in other comprehensive income	-	-	-	(18,642)	(752)	-	(19,394)	-	(19,394)
Deferred tax on change in reserves	-	-	-	5,220	210	-	5,430	-	5,430
Amount of treasury share cost expensed in relation to share-based payment	-	(1)	-	-	-	-	(1)	-	(1)
Total comprehensive income	-	(1)	(66)	(13,422)	(542)	41,696	27,665	(6)	27,659
Shares issued to non controlling shareholders in subsidiaries	-	-	-	-	-	-	-	96	96
Distributions to shareholders 17	-	-	-	-	-	(21,507)	(21,507)	-	(21,507)
Balance at 30 September 2019	94,690	401	410	(21,122)	(4)	513,132	587,507	675	588,182
Balance at 1 October 2017	94,690	330	457	6,739	946	472,147	575,309	527	575,836
Profit for the year (after tax)	-	-	-	-	-	42,303	42,303	(3)	42,300
Other comprehensive income									
Foreign currency translation differences	-	-	19	-	-	-	19	1	20
Hedging losses recognised in other comprehensive income	-	-	-	(20,055)	(566)	-	(20,621)	-	(20,621)
Deferred tax on change in reserves	-	-	-	5,616	158	-	5,774	-	5,774
Amount of treasury share cost expensed in relation to share-based payment	-	72	-	-	-	-	72	-	72
Total comprehensive income	-	72	19	(14,439)	(408)	42,303	27,547	(2)	27,545
Shares issued to non controlling shareholders in subsidiaries	-	-	-	-	-	-	-	87	87
Distributions to shareholders 17	-	-	-	-	-	(21,507)	(21,507)	(27)	(21,534)
Balance at 30 September 2018	94,690	402	476	(7,700)	538	492,943	581,349	585	581,934

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 1 - GENERAL INFORMATION**(a) Reporting entity**

Sanford Limited ('the parent' or 'the Company') is a profit-orientated company that is domiciled and incorporated in New Zealand. The Company is registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Company is an FMC entity for the purposes of Part 7 of the Financial Markets Conduct Act 2013.

The financial statements presented are for Sanford Limited ('Sanford' or 'the Group') as at, and for the year ended 30 September 2019. The Group comprises the Company, its subsidiaries, and its investments in joint arrangements and associates.

In accordance with the Financial Markets Conduct Act 2013, where a reporting entity prepares consolidated financial statements, parent disclosures are not required.

The Group is a large and long-established fishing and aquaculture farming business devoted entirely to the farming, harvesting, processing, storage and marketing of quality seafood products and investments in related activities.

NOTE 2 - BASIS OF PREPARATION**(a) Statement of compliance**

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards as appropriate for Tier 1 for-profit entities. They also comply with International Financial Reporting Standards.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following which are measured on the bases set out below:

- Derivative financial instruments: interest rate and fuel swaps, forward exchange contracts and foreign currency options are measured at fair value
- Biological assets: in water salmon and mussel assets are measured at fair value less costs to sell

(c) Foreign currency**Functional and presentation currency**

These financial statements are presented in New Zealand dollars (NZD), the Company's functional currency. All financial information presented in NZD has been rounded to the nearest thousand dollars (unless described as millions within the notes to these financial statements).

Foreign currency transactions

Foreign currency transactions are translated to NZD at the exchange rates ruling at the dates of the transactions. At balance date foreign currency monetary assets and liabilities are translated at the closing rate. The exchange variations arising from these translations are recognised in the income statement.

Foreign operations

Foreign operations are entities within the Group, the activities of which are based in a country other than New Zealand, or are conducted in a currency other than NZD. The assets and liabilities of foreign operations are translated into NZD at the closing rate, while revenues and expenses are translated at rates approximating the exchange rate ruling at the date of the transaction. Exchange variations are taken directly to the foreign currency translation reserve.

(d) Use of estimates and judgements

The preparation of financial statements requires the Board of Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts in the financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Accounting policies, and information about judgements, estimates and assumptions that have had a significant impact on the amounts recognised in the financial statements are disclosed in the relevant notes as follows:

- Valuation of deferred tax assets and liabilities (refer note 7)
- Impairment testing of property, plant and equipment (refer note 12) and assets classified as held for sale (refer note 18)
- Impairment testing and assessment of useful lives of intangible assets (refer note 14)
- Valuation of biological assets (refer note 10)
- Valuation of financial instruments (refer note 19)

Estimates are designated by **E** a symbol in the notes to the financial statements.

(e) Significant accounting policies

Accounting policies are disclosed within each of the applicable notes to the financial statements and are designated with a **P** symbol.

The Group's accounting policies have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as detailed below.

To ensure consistency with the current period, comparative figures have been restated where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 2 - BASIS OF PREPARATION (continued)

(f) New and amended accounting standards and interpretations adopted

NZ IFRS 15 Revenue from Contracts with Customers

The Group has adopted NZ IFRS 15 Revenue from Contracts with Customers in the current year. Refer to note 4.

NOTE 3 - SEGMENT REPORTING

Executive management of the Group monitors the operating results of the wildcatch and aquaculture (mussels and salmon) divisions. Divisional performance is evaluated based on operating profit or loss. Capital expenditure consists of additions of property, plant and equipment and intangible assets.

The Group's key operating divisions are:

- wildcatch – responsible for catching and processing inshore and deepwater fish species; and
- aquaculture – responsible for farming, harvesting and processing mussels and salmon.

The Group has determined that the divisions above should be aggregated to form one reportable segment to reflect the farming, harvesting, processing and selling of seafood products, due to the aggregated manner in which performance is monitored.

The criteria as set out in paragraph 12 of NZ IFRS8 *Operating Segments* was considered in determining the aggregation of the operating divisions. In aggregating these operating divisions into one reportable segment, the Group identified similarities in the following:

Similar economic characteristics

The Group considered and identified similarities in economic characteristics in the wildcatch and aquaculture divisions. The Group concluded, having considered several factors, that the operating segments exhibited similar long term economic characteristics because the impact of these factors is expected to be similar across all operating divisions. This is supported by the following observations:

Foreign exchange

A large proportion of the Group's sales are derived from exporting seafood products. Movements in foreign exchange rates have a significant influence on the degree of profitability of the Group.

Competitive and operating risks

The operating risks are similar for all of the seafood products in which the Group trades, due to the vagaries of nature and its impact in respect of weather patterns, nutrients in the oceans, parasites and disease.

The global growth in seafood product demand and rising commodity prices has led to a heightened competitive environment in which the Group trades, this applies in a similar manner across all of the operating divisions.

Economic and political risk

Economic prosperity and political stability for countries in which Sanford's customers are based, have a direct impact across the Group in its ability to derive increasing positive returns to shareholders.

Other variables impacting profit

There are many other variables that directly or indirectly impact the profitability of the operating divisions such as international trade rules and tariffs and climate change. The Group has assessed that the operating divisions are similarly impacted by these variables.

Nature of the products

All of the seafood products have similar nutritional factors, principally they are a good source of protein and relatively low in fat.

Similar nature of production processes

The Group has determined that all of the seafood products produced for its customers are harvested from the sea. Additionally, certain fish species and mussels have hand opening or machine opening processes involved in the final completion of the production chain.

The type or class of customer for the product

The Group sells products derived from all of its operating divisions to six (2018: six) of its top ten customers. The Group's customers are largely of a wholesale nature.

The methods used to distribute the product

The Group's sales and marketing team is structured geographically and not by product type or by operating division.

The nature of the regulatory environment

Both aquaculture and fish products are governed by the quality control regulations set by the Ministry for Primary Industries in New Zealand and those countries to which the Group exports. In respect of vessels these must meet Maritime New Zealand regulations; this requirement is similar for all operating divisions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 3 – SEGMENT REPORTING (continued)**(a) Income and expenditure**

Segmental information is presented in respect of the Group's industry and geographical segments.

	NEW ZEALAND		AUSTRALIA		ELIMINATIONS		TOTAL	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Total external revenue	524,147	490,592	20,974	24,384	–	–	545,121	514,976
Inter-segment revenue	3,166	2,934	–	–	(3,166)	(2,934)	–	–
Segment revenue	527,313	493,526	20,974	24,384	(3,166)	(2,934)	545,121	514,976
Segment profit (loss) for the year	41,645	41,428	(515)	(301)	–	–	41,130	41,127
Share of profit of equity accounted investees							562	1,173
Reported profit for the year							41,692	42,300

Inter-segment transactions

Inter-segment revenue is eliminated upon consolidation and is reflected in the eliminations column.

(b) Revenue by geographical location of customers

	2019 \$000	2018 \$000
New Zealand	239,073	220,669
North America	73,002	56,810
Europe	67,045	61,546
China	56,813	57,353
Australia	48,624	55,016
Other Asia	18,590	14,557
Japan	15,158	17,312
South Korea	7,041	11,399
Hong Kong	5,518	4,634
Central and South America	4,686	3,841
Middle East	3,910	3,552
Africa	3,802	6,007
Pacific	1,859	2,280
Revenue	545,121	514,976

The revenue information above is based on the delivery destination of sales.

The group has no customers accounting for more than 10% of total sales for the year (no customers for the 2018 year accounted for more than 10% of total sales).

(c) Assets and liabilities

	Note	NEW ZEALAND		AUSTRALIA		TOTAL	
		2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Segment assets		814,735	802,812	4,744	5,154	819,479	807,966
Investment in equity accounted investees	13	1,734	1,405	–	–	1,734	1,405
Total assets		816,469	804,217	4,744	5,154	821,213	809,371
Segment liabilities		212,852	207,205	20,179	20,232	233,031	227,437
Total liabilities		212,852	207,205	20,179	20,232	233,031	227,437
Capital expenditure	12, 14	38,308	24,049	40	56	38,348	24,105
Depreciation		20,741	19,582	143	149	20,884	19,731

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 4 - REVENUE



Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable.

NZ IFRS15 Revenue from Contracts with Customers (including subsequent amendment)

NZ IFRS 15 supersedes NZ IAS 11 *Construction Contracts*, NZ IAS 18 *Revenue* and related interpretations and applies, with limited exceptions, to all revenue arising from contracts with customers. NZ IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity is expected to be entitled in exchange for transferring goods or services to a customer.

NZ IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted NZ IFRS 15 with the date of initial application of 1 October 2018. The initial application of NZ IFRS 15 has had no cumulative effect on previously reported earnings. Therefore, no adjustment to the opening statement of financial position has been made. As the Group has elected to apply the cumulative effect method of transition, the comparative information in the income statement has not been restated and continues to be reported under NZ IAS 11, NZ IAS 18 and related interpretations.

The nature of the adjustment and the reasons for the change in the income statement as at 30 September 2019 are due to performance obligations as described below:

Domestic sales

The performance obligation for domestic sales is satisfied upon delivery of the products to the customer or collection of the goods by the customer. Payment terms generally range between seven days and the twentieth of the month following invoice date. Consequently the recognition of revenue is unchanged between NZ IFRS 15 and previous financial reporting standards.

Export sales

Certain arrangements under export sales have resulted in a change in the amount of revenue recognised under NZ IFRS 15 compared to previous standards. The performance obligation is satisfied upon transfer of legal title in line with the relevant Incoterms. Payment terms vary between customers and export destinations. The Group typically acts as agent in arranging transport and insurance under such arrangements. Revenue is recognised net of the associated costs of these arrangements, which accounts wholly for the change in reported revenue below.

The adoption of NZ IFRS 15 in the current period has had the following effect on the reported amounts of profit or loss, with the effect of the change in accounting policy shown below:

Income Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Amounts prepared under		
	Previous NZ IFRS \$000	Increase / (Decrease) \$000	NZ IFRS 15 \$000
Revenue	557,978	(12,857)	545,121
Cost of sales	(437,745)	-	(437,745)
Gross profit	120,233	(12,857)	107,376
Other income	12,663	-	12,663
Distribution expenses	(22,458)	12,857	(9,601)
Administrative expenses	(30,945)	-	(30,945)
Other expenses	(12,853)	-	(12,853)
Operating profit	66,640	-	66,640
Profit before income tax	59,323	-	59,323
Income tax expense	(17,631)	-	(17,631)
Net profit after tax	41,692	-	41,692

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 5 – EXPENSES

	Note	2019 \$000	2018 \$000
(a) Administrative and other expenses includes			
Directors' fees	24	768	674
Donations		375	257
Audit fees – KPMG		225	214
Audit fees – other auditors (for audit of Group companies)		85	77
KPMG fees for other services [†]		67	50
Leasing charges		8,022	7,484
Bad debts written off		17	220
(Decrease) increase in allowance for doubtful debts	19	(131)	48
Impairment of property, plant and equipment	12	512	2,314
Impairment of advance		98	513
Impairment of investment	13	25	-
Impairment of assets held for sale	18	-	560
Gain on sale of property, plant and equipment, intangibles and investments		(4,613)	(463)
Restructuring costs		1,609	377
Research and development		3,117	2,586

[†] KPMG fees for other services are in respect of a limited assurance engagement in relation to selected sustainability information included in the Sanford annual report (\$55,859), supplier pricing review (\$5,250) and scrutineering results of the annual meeting (\$6,265). 2018 fees for other services related to a limited assurance engagement in relation to selected sustainability information included in the Sanford annual report (\$49,555).

	2019 \$000	2018 \$000
(b) Personnel expenses included in cost of sales, administrative and distribution expenses		
Wages and salaries (including short-term employee benefits)	120,043	115,230

NOTE 6 – FINANCE INCOME AND EXPENSE

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings and impairment losses recognised on financial assets (except for trade receivables), as well as non-trading currency exchange losses.

	2019 \$000	2018 \$000
Finance income		
Interest income	665	447
Dividends received	13	15
	678	462
Finance expense		
Interest expense on bank loans and bank overdraft	8,531	8,512
Non-trading currency exchange losses	26	116
	8,557	8,628
Net finance expense	7,879	8,166

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 7 - TAXATION



Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income (OCI) in which case it is recognised in OCI.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is:

- Recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
- Not recognised for the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.
- Measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at reporting date.

7.1 Income tax expense

	2019 \$000	2018 \$000
Current period	11,939	12,608
Adjustments for prior periods	39	(108)
	11,978	12,500
Deferred tax expense		
Origination and reversal of temporary differences	5,658	5,058
Adjustments for prior periods	(5)	106
	5,653	5,164
Income tax expense	17,631	17,664
Reconciliation of effective tax rate		
Profit for the year	41,692	42,300
Income tax expense	17,631	17,664
Profit before income tax	59,323	59,964
Tax at current rate of 28%	16,610	16,790
Non-deductible expenses	338	313
Capitalised asset timing differences	(1,071)	(57)
Unutilised and unrecognised tax losses	1,059	700
Adjustments for prior periods	34	(2)
Different foreign tax rate	1	1
Other	660	(81)
	1,021	874
Income tax expense	17,631	17,664
Imputation credit account		
Imputation credits available for use in subsequent reporting periods	79,581	73,704

The Group imputation credits are available to be attached to dividends paid by Sanford Limited.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 7 – TAXATION (continued)

7.2 - Deferred Tax

	2019			
	Balance 30 September 2018 \$000	Recognised in income statement \$000	Recognised in other comprehensive income \$000	Balance 30 September 2019 \$000
Movement in temporary differences during the year				
Property, plant and equipment	(2,694)	(1,367)	–	(4,061)
Intangible assets	(14,171)	(1,585)	–	(15,756)
Trade receivables	84	(55)	–	29
Derivative financial instruments	2,785	–	5,430	8,215
Biological assets	(2,938)	(2,912)	–	(5,850)
Other liabilities	1,763	266	–	2,029
Net deferred tax liability	(15,171)	(5,653)	5,430	(15,394)

	2018			
	Balance 30 September 2017 \$000	Recognised in income statement \$000	Recognised in other comprehensive income \$000	Balance 30 September 2018 \$000
Movement in temporary differences during the year				
Property, plant and equipment	(3,287)	593	–	(2,694)
Intangible assets	(12,537)	(1,634)	–	(14,171)
Trade receivables	60	24	–	84
Derivative financial instruments	(2,989)	–	5,774	2,785
Biological assets	307	(3,245)	–	(2,938)
Other liabilities	2,665	(902)	–	1,763
Net deferred tax liability	(15,781)	(5,164)	5,774	(15,171)

Deferred tax recognised in OCI relates to tax on the effective portion of the change in fair value of cash flow hedges, and on cost of hedging gains or losses.



A deferred tax asset has not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Group can utilise these benefits. There is no expiry time for the use of these tax losses.

	2019 \$000	2018 \$000
Unrecognised deferred tax asset		
Net tax losses - Australia	3,720	3,098
Net tax losses - New Zealand	5,833	2,501
	9,553	5,599

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 8 – CASH AND CASH EQUIVALENTS



Cash and cash equivalents includes deposits that are subject to insignificant risk of changes in their fair value. Cash and cash equivalents are classified and measured at amortised cost in the statement of financial position. These financial instruments are short term in nature and the carrying amount is considered to be a reasonable approximation of fair value.

Bank overdraft and borrowings are classified and measured at amortised cost. These financial instruments are short term in nature and the carrying amount is considered to be a reasonable approximation of fair value.

	2019 \$000	2018 \$000
Cash on hand and at bank	8,322	2,630
Bank overdraft and borrowings (secured)	(55,000)	(55,000)
	(46,678)	(52,370)

Borrowings are all denominated in NZD and expire in April 2020 (2018: April 2019).

Interest rates

Interest rates applicable on call deposits range from 0.81% - 2.50% (2018: 0.50% - 3.25%).

Interest rates applicable on the bank overdraft and borrowings range from 1.73% - 1.95% (2018: 2.47% - 3.47%).

Security and covenants

Bank loans are secured by a general security interest over all property and a mortgage over quota shares. All borrowings are subject to borrowing covenant arrangements. The Group has complied with all covenants during the year (2018: all covenants complied with).

NOTE 9 – TRADE RECEIVABLES



Trade and other receivables are financial assets classified and measured at amortised cost less allowance for doubtful debts. Short term trade receivables are not discounted. These financial instruments are short term in nature and the carrying amounts are considered to be a reasonable approximation of fair values.

	2019 \$000	2018 \$000
Gross trade receivables	61,436	50,085
Less: Allowance for doubtful debts (refer to note 19(a))	(195)	(326)
	61,241	49,759

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 10 – BIOLOGICAL ASSETS

Biological assets include pre-harvest salmon and mussel stocks, and are measured at fair value less costs to sell, with any change therein recognised in the income statement. This method of valuation falls into level 3 on the fair value hierarchy (refer to note 19). Biological assets are transferred to inventories at the date of harvest.

	2019		
	Mussels \$000	Salmon \$000	Total \$000
Balance at beginning of year	23,350	20,120	43,470
Changes due to biological transformation and movement in fair value less estimated costs to sell	31,847	9,647	41,494
Harvested produce transferred to inventories	(30,869)	(4,569)	(35,438)
Balance at 30 September 2019	24,328	25,198	49,526
Current	12,752	16,700	29,452
Non-current	11,576	8,498	20,074
	24,328	25,198	49,526
	2018		
	Mussels \$000	Salmon \$000	Total \$000
Balance at beginning of year	25,156	9,340	34,496
Changes due to biological transformation and movement in fair value less estimated costs to sell	23,504	14,782	38,286
Harvested produce transferred to inventories	(25,310)	(4,002)	(29,312)
Balance at 30 September 2018	23,350	20,120	43,470
Current	12,578	15,815	28,393
Non-current	10,772	4,305	15,077
	23,350	20,120	43,470

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 10 – BIOLOGICAL ASSETS (continued)



Risk factors

The Group is exposed to a number of risks relating to its growing of salmon and mussel stocks. These include storms, marine predators, biosecurity incursions and other contamination of the water space. The Group has extensive processes in place to monitor and mitigate these risks including insurance of salmon and mussels, regular inspection of the growing areas and contingency plans in the event of an adverse climatic event.

Fair value risk and sensitivity

The Group is exposed to financial risks relating to the production of biological assets (salmon and mussels) arising from climate change volatility, climatic events, disease and contamination of water space.

The estimation of the fair value of in-water mussels and salmon is based on several assumptions. Changes in these assumptions will impact the fair value calculation. The profit which is achieved on the sale of inventory will differ from the calculations of fair value of biological assets because of changes in key factors such as the final sales destinations of inventory sold, changes in selling prices, foreign exchange rates, harvest weight, growth rates, mortality, input costs and costs to sell, and differences in quality of harvested salmon and mussels.

With all other variables remaining constant, a 10% increase/decrease in average future sales prices would increase/decrease the fair value of biological assets and profit before tax by \$5.1m (2018: 10% increase/decrease \$3.9m). A 10% increase/decrease in biomass (future harvest volumes) would increase/decrease the fair value of biological assets on hand and profit before tax by \$4.9m (2018: 10% increase/decrease \$4.4m).

Determining fair value

Salmon

The pre-harvest salmon stock has been valued with reference to their stage of development, the length of the growth cycle, number in the water, assumptions in respect of biomass and feed conversion rates, and the fair value per kg at the point of harvest. The fair value per kg at the point of harvest is determined with reference to expected market prices for the first quarter of the next financial year, net of estimated cost up to the date of harvest. The fair value measurement commences at the date of transfer to sea water as this is considered the point at which the fish commence their grow out cycle.

Mussels

The pre-harvest mussel stock has been valued with reference to their stage of development, the length of the growth cycle for the mussels in the regions being farmed, the fair value per kg at point of harvest, and the physical quantity in the water at reporting date. The fair value per kg at the point of harvest is determined with reference to expected market prices for the first quarter of the next financial year, net of estimated cost up to the date of harvest. The fair value measurement commences at the date of seeding as this is considered the point at which the mussels commence their growth cycle.

NOTE 11 – INVENTORIES



Inventories are measured at the lower of cost and net realisable value. The estimated costs of marketing, selling and distribution are deducted in calculating net realisable value.

Cost is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventory and bringing it to its existing condition and location. In the case of processed inventories and work in progress, cost includes an appropriate share of overheads. Fixed overheads are allocated on the basis of normal operating capacity. The cost of items transferred from biological assets is their fair value less costs to sell at the date of transfer.

	2019 \$000	2018 \$000
Seafood	37,604	34,337
Packaging, fishing gear, fuel and stores	10,954	11,532
	48,558	45,869

The cost of inventories recognised as an expense for the year ended 30 September 2019 is \$304.3m (2018: \$286.9m).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT



Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Cost may include:

- the consideration paid on acquisition of the asset;
- the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use;
- the costs of dismantling and removing the items and restoring the site on which they are located; and
- borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

The capitalisation of expenditure ceases when the asset is ready for use, at which point depreciation commences. Capital work in progress of \$14.2m is included within the relevant category of property, plant and equipment below (2018: \$9.7m).

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure that increases the economic benefits derived from an asset is capitalised.

Depreciation of property, plant and equipment, other than land, is calculated using straight-line basis and is expensed over the useful life of the asset.

Depreciation methods, useful lives and residual values are reassessed at least annually. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives. Estimated useful lives (years) are as follows:

	2019	2018
Buildings (freehold and leasehold)	20-25	20-25
Fishing vessels:		
Hulls	20-30	20-30
Engines	12-15	12-15
Electronic equipment	3-4	3-4
Machinery and plant	7-10	7-10
Motor vehicles	5	5
Office fixtures and fittings	3-7	3-7
Marine farm assets	5-15	5-15

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GOVERNANCE
& FINANCIALS

	2019					Total \$000
	Land \$000	Freehold Buildings \$000	Leasehold Buildings \$000	Fishing Vessels \$000	Plant and Equipment \$000	
Cost						
Balance at beginning of year	2,572	22,158	47,790	185,878	135,201	393,599
Additions	–	359	2,842	24,997	8,022	36,220
Disposals	–	(1)	–	(19,558)	(3,643)	(23,202)
Effect of movements in exchange rates	–	–	–	–	(35)	(35)
Balance at end of year	2,572	22,516	50,632	191,317	139,545	406,582
Accumulated depreciation and impairment						
Balance at beginning of year	–	(9,018)	(29,447)	(121,953)	(102,394)	(262,812)
Depreciation	–	(567)	(1,835)	(11,862)	(6,620)	(20,884)
Impairment	–	–	–	–	(512)	(512)
Disposals	–	1	–	16,221	3,178	19,400
Balance at end of year	–	(9,584)	(31,282)	(117,594)	(106,348)	(264,808)
Net book value at 30 September 2019	2,572	12,932	19,350	73,723	33,197	141,774

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (continued)

	2018					
	Land \$000	Freehold Buildings \$000	Leasehold Buildings \$000	Fishing Vessels \$000	Plant and Equipment \$000	Total \$000
Cost						
Balance at beginning of year	2,572	21,323	46,769	183,527	130,133	384,324
Additions	-	830	1,053	13,084	7,288	22,255
Disposals	-	-	(32)	(10,733)	(2,221)	(12,986)
Effect of movements in exchange rates	-	5	-	-	1	6
Balance at end of year	2,572	22,158	47,790	185,878	135,201	393,599
Accumulated depreciation and impairment						
Balance at beginning of year	-	(8,454)	(27,731)	(118,254)	(97,885)	(252,324)
Depreciation	-	(564)	(1,770)	(10,982)	(6,415)	(19,731)
Impairment	-	-	-	(2,163)	(151)	(2,314)
Disposals	-	-	54	9,446	2,057	11,557
Balance at end of year	-	(9,018)	(29,447)	(121,953)	(102,394)	(262,812)
Net book value at 30 September 2018	2,572	13,140	18,343	63,925	32,807	130,787



Impairment

In 2018, following its failure to meet survey, it was deemed uneconomic to repair the Auckland-based fishing vessel, *San Hikurangi*. On this basis the vessel was decommissioned from the fleet and sold in August 2018. An impairment loss of \$2.2m was recognised in 2018, being the book value of the vessel less its eventual disposal proceeds of \$0.3m.

The Group continues to pursue legal remedy in respect of a small inshore vessel acquired in 2017 which was subsequently deemed unsuitable for fishing and fully impaired. No recoveries have been recorded at balance date due to the uncertain outcome of this process (2018: Nil). A provision of \$0.4m has been raised in respect of the anticipated disposal costs of this vessel (2018: \$0.4m).



Commitments

The estimated capital expenditure for property, plant and equipment contracted for at reporting date but not provided is \$6.9m for the Group (2018: \$4.6m).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 13 – INVESTMENTS

The Group's interest in equity accounted investees comprises interests in those associates and joint ventures disclosed in note 22.

Associates are those entities in which the Group has significant influence, but not control or joint control over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement rather than the rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

The Group's other investments comprise shareholdings in other companies which do not constitute controlling interests, nor does the Group have significant influence over the investees. As these are not held for trading, the Group has elected these equity instruments to be classified and measured at fair value through OCI.

	Note	2019 \$000	2018 \$000
Equity Accounted Investees			
(a) Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:			
Current assets		3,099	21,716
Non-current assets		6,866	11,427
Total assets		9,965	33,143
Current liabilities		1,243	4,495
Non-current liabilities		675	667
Total liabilities		1,918	5,162
Revenue		18,343	44,428
Expenses		(17,551)	(42,042)
Profit		792	2,386
(b) Movements in carrying value of equity accounted investees:			
Balance at beginning of year		1,405	10,851
Share of profit		562	1,173
Dividends received from associates		(208)	(894)
Impairment of investment		(25)	-
Transfer of investment to held for sale	18	-	(9,725)
Balance at 30 September		1,734	1,405
Other Investments			
Shares in other companies		97	89
		1,831	1,494

In November 2018, the Group completed the sale of its 50% equity accounted investment in Weihai Dong Won Food Company Limited (refer to note 18).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 14 - INTANGIBLE ASSETS

P Purchased fishing quota is carried at cost less impairment losses. Quota and licences which are initially recognised on the basis of previous permits, catch history or when purchased through business combinations are initially valued at fair value on allocation. Fair value is determined by reference to Crown tender prices and market prices available close to the time of the acquisition. This became the deemed cost upon the adoption of NZ IFRS.

Marine farm licences are recorded at cost, or when purchased through business combinations are initially measured at fair value.

Marine farm licences and fishing quota have indefinite useful lives are not amortised but are tested annually for impairment at reporting date. Fishing quota has no expiry date and is therefore deemed to have an indefinite useful life. Marine farm licences are deemed by the Directors to have indefinite useful lives as it is highly probable that they are renewed and the costs of renewal are expected to be minimal.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is expensed as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products or processes, is capitalised if the product or process is commercially and technically feasible and the Group has sufficient resources to complete development. Other development expenditure is expensed as incurred.

	2019				
	Fishing Quota \$000	Marine Farm Licences \$000	Goodwill \$000	Intellectual Property \$000	Total \$000
Carrying amount					
Balance at beginning of year	412,721	101,839	2,324	2,258	519,142
Additions	-	861	-	1,267	2,128
Disposals	(15,000)	(262)	-	-	(15,262)
Effect of movements in exchange rates	(4)	-	-	-	(4)
Balance at end of year	397,717	102,438	2,324	3,525	506,004
Impairment					
Balance at beginning and end of year	(11,649)	(1,244)	-	-	(12,893)
Carrying amount at 30 September 2019	386,068	101,194	2,324	3,525	493,111
	2018				
	Fishing Quota \$000	Marine Farm Licences \$000	Goodwill \$000	Intellectual Property \$000	Total \$000
Carrying amount					
Balance at beginning of year	412,720	101,833	2,324	414	517,291
Additions	-	6	-	1,844	1,850
Effect of movements in exchange rates	1	-	-	-	1
Balance at end of year	412,721	101,839	2,324	2,258	519,142
Impairment					
Balance at beginning and end of year	(11,649)	(1,244)	-	-	(12,893)
Carrying amount at 30 September 2018	401,072	100,595	2,324	2,258	506,249

Sale of Tauranga based pelagic business assets

On 19 November 2018, the Group agreed to sell its Tauranga based pelagic business to Pelco NZ Limited for \$24.3m. The sale included quota of various pelagic species, three fishing vessels and associated processing equipment. The quota sale was completed on 29 March 2019, with a gain of \$3.9m recognised within other income. The remaining assets including the fishing vessels and processing equipment were sold on 23 April 2019, with a gain of \$1.4m recognised within other income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 14 - INTANGIBLE ASSETS (continued)**Impairment testing**

The carrying amounts of the Group's non-financial assets other than inventories, biological assets and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount, which is the greater of its value in use and its fair value less costs to sell. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement. For goodwill and intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date.

Cash Generating Units

The table below outlines the allocations of intangible assets with indefinite useful lives to CGUs:

	2019				
	Fishing Quota \$000	Marine Farm Licences \$000	Goodwill \$000	Intellectual Property \$000	Total \$000
New Zealand Seafood	385,759	101,194	2,324	3,525	492,802
Australia Seafood	309	-	-	-	309
	386,068	101,194	2,324	3,525	493,111
	2018				
	Fishing Quota \$000	Marine Farm Licences \$000	Goodwill \$000	Intellectual Property \$000	Total \$000
New Zealand Seafood	400,759	100,595	2,324	2,258	505,936
Australia Seafood	313	-	-	-	313
	401,072	100,595	2,324	2,258	506,249

14.1 Fishing Quota and Marine Farm Licences**Impairment testing and assumptions**

Based on impairment testing undertaken in September 2019 no impairment is required for New Zealand fishing quota or marine farm licences and none for the remaining Australian fishing quota or licences, given the recoverable amount of all CGUs exceed the carrying value of the net assets at that date.

Impairment testing was performed on the applicable New Zealand CGUs to determine whether fishing quota and marine farm licences were impaired using a discounted cash flow model based on value-in-use. Post-tax discount rates of between 6.9% and 8.1% (2018: 7.3% and 8.0%) were applied. Future cash flows were projected for 5 years and a terminal growth rate of 3% (2018: 3%) was applied. Key assumptions on EBITDA and capital expenditure were based on actual results and Board approved business plans. The forecasts for purposes of valuation are sensitive to changes in foreign exchange rates, projected operating earnings and cash flows in the terminal year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 14 - INTANGIBLE ASSETS (continued)

14.2 Goodwill

P Goodwill represents the excess of the consideration transferred over the fair value of the net identifiable assets of the acquired business. Goodwill is carried at cost less accumulated impairment losses.

The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

E No impairment was identified in respect of any goodwill held by the Group (2018: Nil).

NOTE 15 – TRADE AND OTHER PAYABLES

P **Trade and other payables**
Trade and other payables are financial liabilities, classified and measured at amortised cost. As these are short term in nature the carrying amount is considered to be a reasonable approximation of fair value.

Employee entitlements

(i) Long service leave

The Group's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using an actuarial technique. Changes in long service leave provision are recognised in the income statement.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

	2019 \$000	2018 \$000
Trade payables	11,851	9,117
Other payables and accruals	20,089	15,695
Employee entitlements	10,071	8,977
	42,011	33,789
Less: employee entitlements classified as non-current	(1,232)	(1,355)
	40,779	32,434

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 16 – CAPITAL/RESERVES AND EARNINGS PER SHARE**(a) Translation reserve**

This reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

(b) Share-based payments reserve

This reserve comprises the fair value of equity instruments granted under the long-term incentive plan.

(c) Cash flow hedge and cost of hedging reserve

The cash flow hedge reserve comprises the effective portion of changes in the fair value of derivative contracts for highly probably forecast transactions.

The cost of hedging reserve contains the cumulative net change in fair value of time value on foreign currency options which are excluded from the hedge designations of foreign currency risk.

(d) Share capital and earnings per share

	Ordinary Shares	
	2019 No. of Shares	2018 No. of Shares
On issue at beginning and end of year	93,626,735	93,626,735

All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to Sanford's residual assets. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are reissued.

The calculation of basic earnings per share at 30 September 2019 was based on the profit attributable to ordinary shareholders of \$41.7m (2018: \$42.3m) and a weighted average number of ordinary shares outstanding of 93,506,137 (2018: 93,506,137).

(e) Treasury shares

In 2014, Sanford established a long-term incentive plan (the LTI plan) for the CEO. The LTI plan is designed to improve the performance of the Group by incentivising and motivating the CEO. This involves the Group purchasing treasury shares pursuant to the terms of the LTI plan. The Group has not acquired any Sanford Limited shares in 2019 for the purposes of the LTI plan (2018: no shares acquired).

Total treasury shares held at 30 September 2019 was 120,598 shares (2018: 120,598 shares).

NOTE 17 – DIVIDENDS

	2019 \$000	2018 \$000
The following dividends were declared and paid by the Company for the year ended 30 September:		
– Final dividend in respect of the 2018 year of \$0.14 per share (2018: \$0.14)	13,091	13,091
– Interim dividend in respect of the 2019 year of \$0.09 per share (2018: \$0.09)	8,416	8,416
	21,507	21,507

On 13 November 2019 the Directors proposed a final dividend of 14 cents per share (2018: 14 cents per share) to be paid on 6 December 2019. This dividend has not been provided for in the accounts at 30 September 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 18 – ASSETS CLASSIFIED AS HELD FOR SALE



The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment is not depreciated once classified as held for sale.

	2019 \$000	2018 \$000
Property, plant and equipment at fair value less costs to sell	8,527	8,527
Equity accounted investments at fair value less costs to sell	–	9,165
Total assets held for sale	8,527	17,692



Christchurch Mussel Processing Facility

Property, plant and equipment classified as held for sale reflects the Christchurch mussel processing facility, which was closed during the 2015 financial year and continues to be marketed for sale. The property is measured at its fair value less costs to sell, per level 3 of the fair value hierarchy.

Weihai Dong Won Food Company Limited

In November 2018, the Group completed the sale of its 50% equity accounted investment in Weihai Dong Won Food Company Ltd. This seafood processing business located in Weihai, China was not core to the strategy of the Group and consequently the decision was made to sell the business. An impairment loss of \$0.6m was recognised in the year ended 30 September 2018, reflecting the anticipated selling price at that date, less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 19 – FINANCIAL INSTRUMENTS**Classification and measurement****Classification and measurement of financial assets**

Financial assets are classified into three categories depending on their contractual cash flow characteristics and the Group's business model for managing the financial assets. These categories are:

- Amortised cost;
- Fair value through profit or loss; and
- Fair value through OCI.

A financial asset which is a debt instrument is measured at amortised cost only if both the following conditions are met:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

However, the Group may choose at initial recognition to designate a debt instrument that meets the amortised cost criteria as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For investments in equity instruments that are not held for trading nor managed on a fair value basis, the Group has elected to measure these at fair value through OCI.

Derivative financial instruments which are not designated in an effective hedge relationship are classified as fair value through profit or loss.

Classification and measurement of financial liabilities

Financial liabilities are classified as either amortised cost or fair value through profit or loss. The Group may choose at initial recognition to designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. All financial liabilities of the Group are measured at amortised cost except for derivative financial instruments which are measured at fair value. Changes in the fair value of derivative financial liabilities are recognised in profit or loss except when the derivative instrument is designated in an effective hedge relationship.

Specific accounting policies for the Group's financial assets and liabilities are described below.

Exposure to credit, interest rate, foreign currency, fuel price and liquidity risks arise in the normal course of the Group's business. Derivatives may be used as a means of reducing exposure to fluctuations in foreign exchange rates, interest rates and fuel prices. While these instruments are subject to the risk of subsequent changes to market rates, such changes would generally be offset by opposite effects on the items being hedged.

The Group is not exposed to substantial other market price risk arising from financial instruments.

Fair value measurement

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows using market interest rates. The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using market interest rates. The fair value of foreign currency options is estimated using option valuation methods with reference to current spot rates and market volatility. The fair value of fuel swaps is estimated using forward fuel prices at reporting date.

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(a) Credit risk



Credit risk, the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, arises principally from the Group's receivables from customers.

The Group does not generally require collateral in respect of trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions (defined as having a minimum credit rating of A-) are used for investing and cash handling purposes.

Maximum exposure to credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure.

The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status.

The Group's maximum exposure to credit risk for trade and other receivables by geographic region is as follows:

	2019 \$000	2018 \$000
New Zealand	27,565	25,910
North America	13,835	11,125
Europe	12,791	6,623
Australia	5,927	5,015
Japan	1,106	2,594
Other	4,682	1,578
Trade and other receivables	65,906	52,845

Concentration of credit risk

The Group has credit insurance in respect of two (2018: two) of its largest customers for USD13.0m (2018: USD15.0m). At balance date the Group's exposure in respect of these debts is USD6.9m (2018: USD6.9m) which comprised 18% (2018: 21%) of trade receivables. Since balance date and in accordance with agreed credit terms these customers have subsequently paid 27% (2018: 30%) of the outstanding balance. There are no concerns with the collectability of these debts.

The status of trade receivables at the reporting date is as follows:

	Gross Receivables 2019 \$000	Allowance for Doubtful Debts 2019 \$000	Gross Receivables 2018 \$000	Allowance for Doubtful Debts 2018 \$000
Not past due	55,403	–	41,554	–
Past due 1 - 30 days	4,674	–	5,978	–
Past due 31 - 120 days	633	–	1,625	(28)
Past due 121 - 365 days	409	(91)	660	(254)
Past due 365+ days	317	(104)	268	(44)
	61,436	(195)	50,085	(326)

Impairment assessment – expected credit losses



The Group applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The allowance for doubtful debts on trade receivables that are individually significant are determined by an evaluation of the exposures on a line by line basis. For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on number of days overdue, and taking into account the historical loss experience in portfolios with a similar number of days overdue. The expected credit losses incorporate forward looking information and relevant macroeconomic factors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk



Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on a daily basis. The Group has secured bank loans which contain debt covenants. A breach of covenant may require accelerated repayment of the loans earlier than indicated in the loan contract.

The following table sets out the undiscounted contractual and expected cash flows for all financial liabilities and derivatives:

	2019						
	Statement of Financial Position \$000	Contractual Cash Out (In) Flows \$000	6 Months or Less \$000	6-12 Months \$000	1-2 Years \$000	2-5 Years \$000	More than 5 Years \$000
Bank loans	84,000	90,768	918	918	1,831	87,101	-
Trade payables	11,851	11,851	11,851	-	-	-	-
Other payables	20,089	20,089	20,089	-	-	-	-
Bank overdraft and borrowings	55,000	55,574	493	55,081	-	-	-
Total non-derivative liabilities	170,940	178,282	33,351	55,999	1,831	87,101	-
Foreign currency options	1,590	1,217	214	648	355	-	-
Forward exchange contracts	17,876	18,424	7,822	5,508	4,742	352	-
Interest rate swaps	11,926	12,600	1,572	1,588	2,753	5,569	1,118
Fuel swaps	576	580	486	94	-	-	-
Total derivative liabilities	31,968	32,821	10,094	7,838	7,850	5,921	1,118
	2018						
	Statement of Financial Position \$000	Contractual Cash Out (In) Flows \$000	6 Months or Less \$000	6-12 Months \$000	1-2 Years \$000	2-5 Years \$000	More than 5 Years \$000
Bank loans	100,000	107,090	1,401	1,409	62,119	42,161	-
Trade payables	9,117	9,117	9,117	-	-	-	-
Other payables	15,695	15,695	15,695	-	-	-	-
Bank overdraft and borrowings	55,000	55,819	703	55,116	-	-	-
Total non-derivative liabilities	179,812	187,721	26,916	56,525	62,119	42,161	-
Foreign currency options	(928)	(4,181)	(1,811)	(1,009)	(1,361)	-	-
Forward exchange contracts	8,600	8,786	2,990	2,442	3,387	(33)	-
Interest rate swaps	6,536	7,171	1,221	1,128	1,930	2,614	278
Fuel swaps	(2,432)	(2,464)	(1,552)	(912)	-	-	-
Total derivative liabilities	11,776	9,312	848	1,649	3,956	2,581	278

Facilities

The Group expects to generate sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls. At year end the Group had available approximately \$91m of headroom funding to meet any unforeseen liability obligations (2018: \$75m).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

Loans and borrowings



Bank loans and borrowings are recognised initially at fair value, net of attributable transaction costs. Subsequent to initial recognition bank loans are measured at amortised cost, applying the effective interest method.

Facilities, interest rate ranges, expiry dates and balances of bank loans for the Group are as follows:

	2019		
	Facility \$000	Expiry Date	Balance \$000
Current liabilities			
Borrowings (secured)	55,000	April 2020	55,000
Non-current liabilities			
Bank loans (secured)			
4 year facility	35,000	April 2022	15,000
4.5 year facility	40,000	October 2022	39,000
5 year facility	35,000	April 2023	-
5 year facilities	65,000	October 2024	30,000
	230,000		139,000
	2018		
	Facility \$000	Expiry Date	Balance \$000
Current liabilities			
Borrowings (secured)	55,000	April 2019	55,000
Non-current liabilities			
Bank loans (secured)			
4 year facility	35,000	April 2022	15,000
4.5 year facility	40,000	October 2022	25,000
5 year facilities	65,000	April 2020	60,000
5 year facility	35,000	April 2023	-
	230,000		155,000

All bank loans are denominated in NZD.

Interest rates

Interest rates on the above loans and borrowings range from 1.73% - 2.25% (2018: 2.47% - 3.47%).

Security and covenants

Bank loans are secured by a general security interest over all property and a mortgage over quota shares. All borrowings are subject to borrowing covenant arrangements. The Group has complied with all covenants during the year (2018: all covenants complied with).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 19 – FINANCIAL INSTRUMENTS (continued)**(c) Market risk****Financial risk management and hedge accounting**

Market risk is the risk that arises from changes in foreign exchange rates, interest rates and commodity (specifically fuel) prices. Such changes will affect the Group's earnings and/or the value of its holdings of financial instruments. These risks arise due to the Group having financial instruments that would be impacted by changes in these market factors.

The Group enters into derivative contracts, being forward exchange contracts, foreign currency options and interest rate swaps to manage exposure to foreign currency and interest rate risks. The Group also enters into commodity swaps to manage fuel price risk. Senior management are involved in the operation and oversight of risk management and derivative activities. Regular reporting of activities is provided to the Board of Directors which provides the policy for the use of derivative instruments. In accordance with its Treasury Policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as held for trading and classified at fair value through profit or loss.

The Group initially recognises derivatives at fair value when the Group becomes a party to the contractual provisions of the instrument, and subsequently re-measures these at fair value at each reporting date. All derivatives are classified as level 2 on the fair value hierarchy. The resulting fair value gain or loss on re-measurement is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which case the timing of recognition in profit or loss depends on the nature of the designated hedge relationship.

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in OCI to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement. For cash flow hedges of financial items (for example forecast sales), the changes in fair value deferred in OCI are transferred to the income statement when the hedged item affects the profit or loss.

The Group designates only the intrinsic value of options into hedging relationships. The time value of the options is treated as a cost of hedging. Changes in fair value of the time value component of the option contract are deferred in OCI over the term of the hedge. For transaction related hedged items the cumulative change in fair value deferred in OCI is recognised in profit or loss at the same time as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in OCI remains there until the forecast transaction occurs, or is immediately recognised in profit or loss if the transaction is no longer expected to occur.

Interest rate risk

The Group is exposed to interest rate risk through its cash balances, short and long term borrowings. The Group adopts a risk management strategy of managing the exposure to interest rate risk through a proportion of fixed and floating rate borrowings. In order to meet this strategy the Group has a policy of using interest rate swaps to fix between 25% and 75% of the floating rate exposure on long term borrowings in line with its Treasury Policy. In the current period, the Group designated the highly probable forecast transactions and the interest rate swap contracts into cash flow hedge relationships.

Interest rate swap contracts are recognised within Derivative Financial Instruments on the statement of financial position as at reporting date. The fair value gains and losses on these derivatives were recognised in OCI and transferred to profit or loss when the underlying transactions affected the profit or loss within finance expenses in the income statement. The amounts designated as the hedged item in qualifying cash flow hedges mirror the amounts designated as hedging instruments, therefore the Group has established a 1:1 hedge ratio.

Hedge ineffectiveness is only recognised for accounting purposes if it results in movements in the value of the hedge instrument in excess of those on the hedged item. The source of any ineffectiveness would be largely due to credit valuation adjustments and timing of cash flows. No ineffectiveness arose on cash flow hedges of interest rate risk during the year (2018: None).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

Interest rate risk (continued)

Interest-bearing variable rate instruments and related derivatives reprice as follows:

	2019					
	Total \$000	6 Months or Less \$000	6–12 Months \$000	1–3 Years \$000	3–5 Years \$000	More than 5 Years \$000
Cash and cash equivalents	8,322	8,322	–	–	–	–
Bank overdraft and borrowings	(55,000)	(55,000)	–	–	–	–
Bank loans	(84,000)	(84,000)	–	–	–	–
Interest rate swaps						
Notional cash inflows	137,000	137,000	–	–	–	–
Notional cash outflows	(137,000)	–	(15,000)	(41,000)	(45,000)	(36,000)
Total variable rate	(130,678)	6,322	(15,000)	(41,000)	(45,000)	(36,000)
	2018					
	Total \$000	6 Months or Less \$000	6–12 Months \$000	1–3 Years \$000	3–5 Years \$000	More than 5 Years \$000
Cash and cash equivalents	2,630	2,630	–	–	–	–
Bank overdraft and borrowings	(55,000)	(55,000)	–	–	–	–
Bank loans	(100,000)	(100,000)	–	–	–	–
Interest rate swaps						
Notional cash inflows	160,000	160,000	–	–	–	–
Notional cash outflows	(160,000)	–	(28,000)	(33,000)	(48,000)	(51,000)
Total variable rate	(152,370)	7,630	(28,000)	(33,000)	(48,000)	(51,000)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 19 – FINANCIAL INSTRUMENTS (continued)**(c) Market risk (continued)****Interest rate risk (continued)****Effects of hedge accounting on financial position and performance**

The tables below demonstrate the impact of hedged items and the hedging instruments designated in hedging relationships.

	2019					
	Nominal \$000	Weighted Average Rate	Carrying Amounts		Change in Fair Value Used to Measure Ineffectiveness \$000	Cash Flow Hedge Reserve \$000
			Assets \$000	Liabilities \$000		
Cash flow hedges						
Interest rate risk						
Hedged item: NZD floating rate exposure on borrowings	(139,000)	2.02%	n/a	n/a	12,080	n/a
Hedging instrument: Interest rate swaps [†]	(137,000)	3.61%	-	(11,926)	(11,926)	11,926
	2018					
	Nominal \$000	Weighted Average Rate	Carrying Amounts		Change in Fair Value Used to Measure Ineffectiveness \$000	Cash Flow Hedge Reserve \$000
			Assets \$000	Liabilities \$000		
Cash flow hedges						
Interest rate risk						
Hedged item: NZD floating rate exposure on borrowings	(155,000)	2.72%	n/a	n/a	6,591	n/a
Hedging instrument: Interest rate swaps [†]	(160,000)	3.78%	-	(6,536)	(6,536)	6,536

† The interest rate swaps include \$15.0 million of forward starting swaps (2018: \$30.0 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

Foreign currency risk



The Group is exposed to foreign currency risk as a result of sales and investments denominated in foreign currencies, as well as the foreign currency exposure arising from USD denominated fuel and freight purchases. The Group has entered into forward exchange contracts and foreign currency options (hedging instruments) to hedge the variability in cash flows arising from foreign exchange rate movements in relation to foreign currency sales (hedged item) up to two years forward. Minimum and maximum hedging levels for the next two years expected sales volumes are stipulated by its Treasury Policy. In the current period, the Group designated the highly probable forecast transactions and the forward exchange contracts and foreign currency options into cash flow hedge relationships.

Forward exchange contracts and foreign currency options are recognised within Derivative Financial Instruments on the statement of financial position as at reporting date. The fair value gains and losses on these derivatives were recognised in OCI and transferred to profit or loss when the underlying transactions affected profit or loss within revenue and cost of sales in the income statement. The amounts designated as the hedged item in qualifying cash flow hedges mirror the amounts designated as hedging instruments as set out below, therefore the Group has established a 1:1 hedge ratio.

Hedge ineffectiveness is only recognised for accounting purposes if it results in movements in the value of the hedge instrument in excess of those on the hedged item. The source of any ineffectiveness would be largely due to credit risk adjustments on the derivatives and timing of cash flows. No ineffectiveness arose on cash flow hedges of foreign currency transactions during the year (2018: None).

As at 30 September 2019, the Group's exposure to foreign currency risk for the next 12 months can be summarised as follows:

	2019				
	USD \$000	AUD \$000	JPY \$000	EUR \$000	GBP \$000
(figures are NZD)					
Cash (overdraft)	599	(73)	(396)	-	-
Trade receivables	31,445	3,585	1,106	-	304
Trade payables	(3,209)	(621)	-	-	(95)
Net statement of financial position exposure before hedging activity	28,835	2,891	710	-	209
Forecast net receipts	160,930	7,389	15,894	3,353	1,249
Net cash flow exposure before hedging activity	189,765	10,280	16,604	3,353	1,458
Forward exchange contracts and options	(179,673)	(9,697)	(14,989)	-	-
Net un-hedged exposure	10,092	583	1,615	3,353	1,458
	2018				
(figures are NZD)	USD \$000	AUD \$000	JPY \$000	EUR \$000	GBP \$000
Cash	263	111	57	1	8
Trade receivables	18,406	2,513	2,594	293	397
Trade payables	(2,634)	(390)	-	(498)	-
Net statement of financial position exposure before hedging activity	16,035	2,234	2,651	(204)	405
Forecast net receipts	169,580	14,101	14,623	2,250	1,643
Net cash flow exposure before hedging activity	185,615	16,335	17,274	2,046	2,048
Forward exchange contracts and options	(182,344)	(15,235)	(15,030)	-	-
Net un-hedged exposure	3,271	1,100	2,244	2,046	2,048

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 19 – FINANCIAL INSTRUMENTS (continued)**(c) Market risk (continued)****Foreign currency risk (continued)****Effects of hedge accounting on the financial position and performance**

The tables below demonstrate the impact of hedged items and the hedging instruments designated in hedging relationships.

	2019				
	Nominal \$000	Carrying Amounts Assets \$000	Carrying Amounts Liabilities \$000	Change in Fair Value Used to Measure Ineffectiveness \$000	Cash Flow Hedge Reserve \$000
Cash flow hedges*					
Foreign currency risk					
Hedged item: Forecast transactions denominated in foreign currencies	321,247	n/a	n/a	16,873	n/a
Hedging instruments: Forward exchange contracts	(271,782)	96	(15,318)	(15,223)	15,223
Hedging instruments: Foreign currency options	(49,465)	72	(1,691)	(1,619)	1,619
	2018				
	Nominal \$000	Carrying Amounts Assets \$000	Carrying Amounts Liabilities \$000	Change in Fair Value Used to Measure Ineffectiveness \$000	Cash Flow Hedge Reserve \$000
Cash flow hedges*					
Foreign currency risk					
Hedged item: Forecast transactions denominated in foreign currencies	300,260	n/a	n/a	7,584	n/a
Hedging instruments: Forward exchange contracts	(262,404)	362	(8,022)	(7,660)	7,660
Hedging instruments: Foreign currency options	(37,856)	313	(225)	88	(88)

* Includes all hedges of forecast future transactions

Fuel price risk

The Group is exposed to fuel price risk through its purchases of fuel for its fishing fleet.

Fuel price risk is the risk of loss to the Group due to adverse fluctuations in fuel prices in USD terms. The currency exposure arising from USD fuel costs is managed separately (see foreign currency risk management). The Group's fuel price risk has the following contractually specified components: gas oil and light fuel oil prices, and shipping costs.

The Group enters into gas oil and light fuel oil commodity swaps to reduce the variability in those components of fuel costs, which historically have comprised approximately 80% (2018: 80%) of total fuel cost. Minimum and maximum hedging levels for the next two years expected purchase volumes are stipulated by its Board approved Treasury Policy. A 1:1 hedge ratio is used, reflecting the match of the hedging instruments and the component exposures in the fuel costs.

Fuel swaps are recognised within Derivative Financial Instruments on the statement of financial position as at reporting date and were designated as the hedging instruments in qualifying cash flow hedges. The fair value gains and losses on these derivatives were recognised in OCI and transferred from OCI and included in the initial carrying amount of inventory. When the fuel is consumed it is expensed to profit or loss within cost of sales in the income statement.

Hedge ineffectiveness is only expected to result from credit valuation adjustments and any shortfalls in the amounts of the expected exposures. Hedge ineffectiveness is only recognised for accounting purposes if it results in movements in the value of the hedge instrument in excess of those on the hedged item. Any ineffectiveness is recognised within cost of sales in the income statement.

All fuel derivative contracts mature within 12 months of balance date (2018: 12 months).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

Reconciliation of changes in hedge reserves

The movement in the fair value of hedging instruments which are deferred to the cash flow hedge reserve during the year are set out below, together with changes in the cost of hedging reserve, and the tax thereon:

Recognised in statement of changes in equity hedge reserves	2019			
	Hedging Instruments used to Hedge			
	Interest Rate Risk \$000	Currency Risk \$000	Fuel Price Risk \$000	Total \$000
Balance at the beginning of the year	(4,706)	(4,207)	1,751	(7,162)
Changes in cash flow hedge reserve	(5,390)	(10,244)	(3,008)	(18,642)
Changes in cost of hedging reserve	-	(752)	-	(752)
Deferred tax on changes in reserves	1,509	3,079	842	5,430
Balance at the end of the year	(8,587)	(12,124)	(415)	(21,126)
	2018			
	Hedging Instruments used to Hedge			
	Interest Rate Risk \$000	Currency Risk \$000	Fuel Price Risk \$000	Total \$000
Balance at the beginning of the year	(3,929)	10,811	803	7,685
Changes in cash flow hedge reserve	(1,079)	(20,293)	1,317	(20,055)
Changes in cost of hedging reserve	-	(566)	-	(566)
Deferred tax on changes in reserves	302	5,841	(369)	5,774
Balance at the end of the year	(4,706)	(4,207)	1,751	(7,162)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 19 – FINANCIAL INSTRUMENTS (continued)**(c) Market risk (continued)****Sensitivity to changes in market prices or rates**

All derivatives are measured at fair value and changes in market inputs used to determine these fair values would have an impact on the Group's financial statements. For each type of market risk to which the Group is exposed at the end of the reporting period, the below sensitivity analysis shows the impacts of reasonably plausible changes in the relevant market variables on the profit or loss and OCI for the period. The effect of a variation in a particular assumption is calculated independently of any changes in another assumption. As this sensitivity analysis is only on financial instruments (derivative and non-derivative), these ignore the offsetting impacts of future forecast transactions designated as hedged items to the derivatives held.

	2019		2018			
	\$000 Increase	\$000 Decrease	\$000 Increase	\$000 Decrease		
Impact on other comprehensive income (net of tax):						
Sensitivity to changes in interest rates						
100 bp change in interest rates		Increase (decrease) in OCI	3,226	(3,415)	3,696	(3,899)
Sensitivity to changes in foreign exchange rates						
10% change in foreign exchange rates		Increase (decrease) in OCI	20,002	(24,602)	10,677	(12,502)
Sensitivity to changes in fuel prices						
10% change in gas oil / light fuel oil prices		Increase (decrease) in OCI	815	(823)	1,141	(1,077)
Impact on profit after tax:						
Sensitivity to changes in interest rates						
100 bp change in interest rates		(Decrease) increase in profit after tax	(17)	17	(29)	29
Sensitivity to changes in foreign exchange rates						
10% change in foreign exchange rates		Increase (decrease) in profit after tax	523	(666)	698	(636)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 19 – FINANCIAL INSTRUMENTS (continued)

(d) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of capital structure on shareholders' return is also recognised and the Group acknowledges the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The allocation of capital between its specific business operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operation.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

There have been no material changes in the Group's management of capital during the period.

(e) Master netting arrangements

Sanford enters into derivative transactions under the International Swaps and Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not currently have any legally enforceable right to offset recognised amounts. Under the ISDA agreements the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events. The potential net impact of this offsetting is shown below. Sanford does not hold and is not required to post collateral against its derivative positions.

Net derivatives after applying rights of offset under ISDA agreements

	2019 \$000	2018 \$000
Derivative assets	276	4,107
Derivative liabilities	(32,244)	(15,883)
Net amount	(31,968)	(11,776)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 20 – OPERATING LEASES

Payments made under operating leases, where the lessors effectively retain the risks and benefits of ownership, are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Non-cancellable operating lease rentals are payable as follows:

	2019 \$000	2018 \$000
Less than one year	11,022	5,476
Between one and five years	20,466	15,760
More than five years	21,661	24,025
	53,149	45,261

Lease of premises

The Group leases land and buildings under operating leases. The leases may run for a periods of up to 21 years with an option to renew the lease after that date. Lease payments are increased periodically to reflect market rentals.

Lease of annual catch entitlement (ACE)

The Group acts as a lessor and lessee in respect of leasing certain ACE to and from other ACE holders in the industry. The majority of these leases are aligned with the fishing year for that species and are therefore treated as short term. Where the Group has ACE lease arrangements for a period of more than one year, these commitments are included in the table above.

**NZ IFRS 16 Leases**

NZ IFRS 16 *Leases* has been issued but is not yet effective. The Group has not early adopted this standard. The Group will be required to account for leases in accordance with NZ IFRS 16 *Leases* for the year ending 30 September 2020 with restatement of comparatives not required. The Group has considered the requirements of NZ IFRS 16, applying the modified retrospective approach, and expects its adoption will result in the recognition of right of use assets of \$44.7m and lease liabilities of \$44.5m upon transition. The estimated impact on the profit and loss for the year ending 30 September 2020 will be to increase EBIT by \$0.8m and decrease profit before tax by \$0.4m.

NOTE 21 – CONTINGENT LIABILITIES

	2019 \$000	2018 \$000
Guarantees	970	592

The Group has guarantees with its commercial banking partners. In this respect the Group treats the guarantee contracts as contingent liabilities until such times as it becomes probable that the Group will be required to make payments under the guarantees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 22 – GROUP ENTITIES

Basis of consolidation



Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value (excluding transaction costs), as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expense arising from intra group transactions, are eliminated on consolidation.

Joint arrangements

A joint arrangement is an arrangement where two or more parties have joint control. The Group classifies its joint arrangements as either joint operations or joint ventures depending on the legal, contractual or other rights and obligations. Where the interest in the joint arrangement is in the net residual of the business, the arrangement is a joint venture. Joint ventures are accounted for using the equity method; which is detailed in note 13. Where the Group has rights to the assets, and obligations for liabilities of the joint arrangement, this is a joint operation. The Group recognises its share of assets, liabilities, revenues and expenses of each joint operation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 22 – GROUP ENTITIES (continued)**Basis of consolidation (continued)**

The Group comprises the Company and the following principal entities:

Name	2019 Interest Held (%)	2018 Interest Held (%)	Balance Date	Principal Activity
Subsidiaries:				
New Zealand				
Auckland Fish Market Limited	100	100	30 September	Auction
Sanford Fish Market Limited	100	100	30 September	Retail
Sanford Investments Limited	100	100	30 September	Investment company
Sanford LTI Limited	100	100	30 September	Holding company
Shellfish Production & Technology NZ Limited	100	100	30 September	Research company
BreedCo Limited	80	80	30 September	Research company
Auckland Fishing Port Limited	67	67	31 March	Wharf company
Australia				
Sanford Australia Pty Limited	100	100	30 September	Auction
Sanford Seafoods (Australia) Pty Limited	100	100	30 September	Holding company
Primestone Nominees Pty Limited	75	75	30 September	Seafood wholesaler
Joint Operation:				
New Zealand				
North Island Mussels Limited	50	50	30 September	Mussel farming and processing
Joint Ventures and Associates:				
New Zealand				
Perna Contracting Limited	50	50	31 March	Mussel harvesting
San Won Limited	50	50	30 September	Cold storage
New Zealand Japan Tuna Company Limited	46.74	46.74	30 September	Fish catching and processing
Live Lobster Southland (1995) Limited	50	50	31 March	Seafood processing
Trident Systems General Partner Limited	42.35	42.35	30 September	Research company
Precision Seafood Harvesting General Partner Limited	33.33	33.33	30 September	Research company
China				
Weihai Dong Won Food Company Limited	-	50	31 December	Seafood processing

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

NOTE 23 – RELATED PARTY TRANSACTIONS

(a) Basis of transactions

Related parties of the Group include the joint ventures, associates and joint operation disclosed in note 22.

Transactions with related parties have been entered into in the ordinary course of business and undertaken on normal commercial terms.

(b) Material transactions and balances with related parties

	Transaction Value Joint Ventures and Associates		Transaction Value Joint Operation	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Income (Expenses)				
Management fees	220	220	-	-
Sales	171	361	2,120	2,729
Sale of property, plant and equipment	-	-	-	1,381
Interest received	10	-	726	603
Dividends received	208	894	-	-
Processing, storage and harvesting services	(1,891)	(3,819)	-	-
Purchases	-	-	(21,793)	(22,150)
	(1,282)	(2,344)	(18,947)	(17,437)

	Amounts Owing from Related Parties	
	2019 \$000	2018 \$000
Associates	232	381
Joint Operation	19,819	17,069
	20,051	17,450

In respect of the joint operation the transaction values and amounts owing are eliminated on consolidation and are therefore for information purposes.

Interest is charged on balances between New Zealand related parties at rates linked to market. All related party balances are repayable on demand. The parties have agreed not to call upon the loans within 12 months from reporting date.

NOTE 24 – KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation comprised:

	2019 \$000	2018 \$000
Salary and short-term employee benefits	9,162	8,613
Directors' fees	768	674
	9,930	9,287

Key management personnel is defined as the executive and their direct reports.

NOTE 25 – SUBSEQUENT EVENTS

On 21 October 2019 the Directors approved an agreement to purchase land and construct a marine extracts production facility in Blenheim. The land purchase price of \$1.6m was settled on 5 November 2019. The construction of the marine extracts facility is expected to be completed during the 2020 year at a contracted price of \$9.0m. The total approved spend on this facility is \$22.0m.

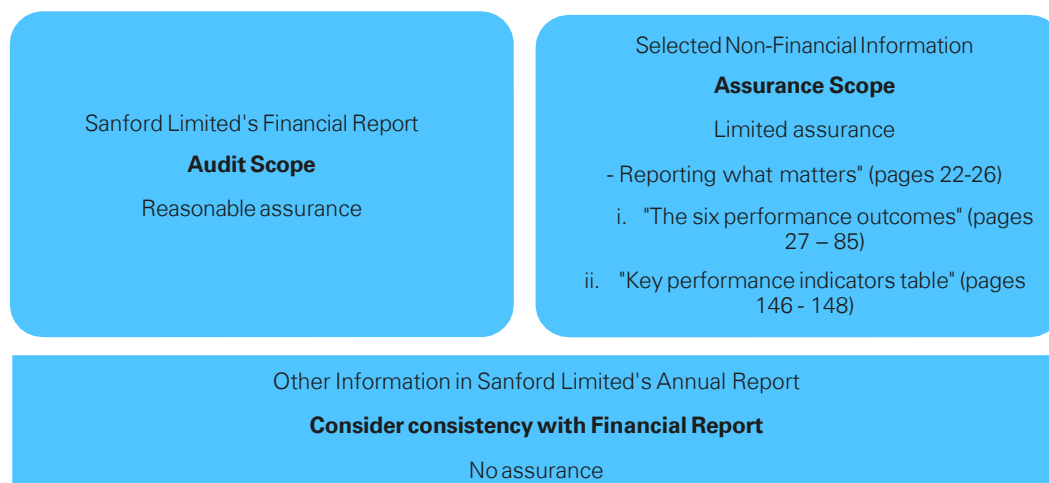


Combined Independent Auditor's and Limited Assurance Report

General

Our assurance procedures consisted of the audit of the Consolidated Financial Statements of Sanford Limited and limited assurance procedures on Selected Non-Financial Information in Sanford Limited's Annual Report.

Our scope can be summarised as follows:



Independent Auditor's Report

To the shareholders of Sanford Limited.

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Sanford Limited (the 'company') and its subsidiaries (the 'group') on pages 98 to 137:

- i. present fairly in all material respects the Group's financial position as at 30 September 2019 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 September 2019;
- the consolidated income statement, statement of other comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to assurance over Selected Non-Financial Information, scrutineering the results of the annual meeting and other assurance services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at \$2.8 million determined with reference to a benchmark of group profit before tax from continuing operations. We chose the benchmark because, in our view, this is the key measure of the group's performance.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.



The key audit matter

How the matter was addressed in our audit

Valuation of quota and Marine Farm Licenses (carrying value \$487.26m)

Refer to Note 14 to the Financial Report.

The Group holds quota and Marine Farm Licenses in New Zealand and Australia, recognised as indefinite life intangible assets, across three cash generating units. The accounting standards require those assets with an indefinite useful life to be tested for impairment annually.

Impairment of these assets is considered to be a key audit matter due to the uncertainty inherent in the growth and discount rates used in the cash flow forecasts that support the carrying value.

In relation to the Marine Farm Licenses we also note the uncertainty surrounding whether these licenses will be renewed upon expiry in 2024. This required us to assess the continual recognition of the licenses as indefinite life assets.

Our audit procedures to assess the carrying value of the intangible assets included understanding and challenging the key assumptions and estimates used to determine the carrying value, specifically those relating to discount rates, growth assumptions, and terminal growth rates, wherever possible referring to external data.

We compared the cash flow forecasts to Board approved business plans, assessed management's accuracy in budgeting, and compared previous forecasts to actual results achieved.

Additionally, we also applied stress-testing to the Group's assumptions used in the cash flow forecasts, by analysing the impact on results from using reduced growth rates, discount rates and cash flow forecasts.

Finally, in relation to our work over the impairment, we noted the Group's market capitalisation exceeds the Group's net assets as at 30 September 2019.

In relation to the 2024 expiration of the Marine Farm Licenses, we performed our own independent research into the status of the Marine Farm License renewal process, including the costs expected to be incurred upon renewal.

Other Information

The Directors, on behalf of the group, are responsible for the Other Information included in the entity's Annual Report (specifically the areas entitled About this report (page 4), Chairman and CEO review (pages 6 - 11), CFO Review (pages 12 - 13), Report Structure (pages 14 - 15) Our global sales footprint (pages 16 - 17), How we create value (pages 18 - 19), Highs and lows (page 20 - 21), Corporate Governance (pages 86 - 92), Statutory Information (pages 93 - 96), Indemnity and Insurance (page 89) and Appendices (pages 149 - 152) titled Appendix B: Aligning Material Issues with Business Risk, Appendix C: Industry Memberships and stakeholders and Appendix D: Key Initiatives contributing to the UN Sustainable Development Goals 2019). Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent audit report, or any of the opinions we have formed.



Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the group, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

This description forms part of our independent auditor's report.



Limited assurance report on Selected Non-financial Information included in the Annual Report

To the Directors of Sanford Limited

Conclusion

Our limited assurance conclusion has been formed on the basis of the matters outlined in this report.

Based on our limited assurance engagement, which is not a reasonable assurance engagement or an audit, nothing has come to our attention that would lead us to believe that the Selected Non-Financial Information has not been prepared, in all material respects, in accordance with the GRI Standards.

The Selected Non-Financial Information on which we have concluded comprises:

- Reporting what matters (pages 22-26)
- The six performance outcomes (pages 27-85):
 - Ensuring Healthy Oceans and Protecting and Enhancing the Environment
 - Creating a Safe and High Performing Workplace
 - Leading the Way to Healthy Food and Marine Extracts
 - Supporting Strong Communities and Partnership
 - Delivering Consumers' Expectations
 - Building a Sustainable Seafood Business
- Key performance indicators table (pages 146 -148)



Basis for conclusion

We have performed an engagement to provide limited assurance in relation to whether anything has come to our attention to indicate the Selected Non-Financial Information has not been prepared in all material respects in accordance with the GRI Standards.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements other than audits or reviews of historical financial information* ('ISAE (NZ) 3000 (Revised)') and Standard on Assurance Engagements 3100 (Revised) *Assurance Engagements on Compliance* ('SAE 3100 (Revised)'). We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In accordance with those standards we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that the Selected Non-Financial Information is free from material misstatement, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on the effectiveness of these controls; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Our procedures included:

- Enquiries of Sanford personnel to understand the process for deriving the Selected Non-Financial Information;
- Analytical review and other testing to assess the reasonableness of the information presented;
- Checking whether the appropriate indicators have been reported in accordance with the GRI Standards in accordance with the core level; and,
- Overall sense check of the Report against our findings and understanding of Sanford.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with New Zealand Auditing and Assurance Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance or audit opinion.

Because of the inherent limitations of an assurance engagement, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the year and the procedures are undertaken on a test and specific procedures basis, our assurance engagement cannot be relied on to detect all instances where Sanford may not have complied with the GRI Standards. The conclusion expressed in this report has been formed on the above basis.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.



Use of this limited assurance report

Our report should not be regarded as suitable to be used or relied on by any party's other than Sanford Limited for any purpose or in any context. Any party other than Sanford Limited who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Directors of Sanford for our work, for this independent limited assurance report, or for the conclusions we have reached.

Our report is released to Sanford Limited on the basis that it shall not be copied, referred to or disclosed, in whole (save for Sanford Limited's own internal purposes) or in part, without our prior written consent.



Responsibilities of management for the Selected Non-Financial Information

Management, on behalf of the company, are responsible for:

- for the preparation and presentation of the Selected Non-Financial Information in accordance with the criteria set out in the GRI Standards, for each of the principles of materiality, stakeholder inclusiveness, sustainability context and completeness; and
- for determining Sanford's objectives in respect of sustainability reporting and for establishing and maintaining appropriate performance management and internal control systems from which the information is derived.

These responsibilities includes such internal control as the directors determine is necessary to enable the preparation of the Selected Non-Financial Information that is free from material misstatement whether due to fraud or error.



Auditor's responsibilities for the assurance of the Selected Non-Financial Information

Our responsibility is to express a conclusion to the directors on whether anything has come to our attention that the Selected Non-Financial Information has not been prepared in all material respects in accordance with the GRI Standards.

Our independence and quality control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our firm has also provided other services to the group in relation to statutory audit, scrutineering results of the annual meeting and other assurance services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

The partner on the engagement resulting in this Combined Independent Auditor's and Assurance Report is Ian Proudfoot.

For and on behalf of
KPMG
Auckland

13 November 2019

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GRI Standard Ref	KPI Metric	Units	2019	2018	2017	2016
 OUTCOME 1 – ENSURING HEALTHY OCEANS AND PROTECTING AND ENHANCING THE ENVIRONMENT						
304-2	NZ Quota Owned Based on ACE Equivalent	%	19	22	23	23
304-3	Wildcatch sourced from MSC designated fisheries	%	36	44	46	37
102-7	Total Wildcatch (GWT) ⁽¹⁾ ⁽²⁾	tonnes	90,351	92,612	96,225	83,495
102-7	Greenweight wild caught harvested – Deepwater Fleet	tonnes	69,377	66,649	67,784	53,928
102-7	Greenweight wild caught harvested – Inshore Fleet	tonnes	20,974	25,963	28,441	29,567
102-7	Greenweight King Salmon Harvested ⁽²⁾	tonnes	4,028	3,498	3,657	3,843
102-7	Greenweight Mussels Harvested ⁽²⁾	tonnes	29,419	26,976	31,631	30,957
304-3	Marine Stewardship Council Deepwater Species Certified in New Zealand ⁽³⁾	#	6	6	6	5
304-2	Seabird Mortality Rate ⁽⁴⁾ ⁽⁵⁾	%	66	57	81	77
304-2	Total Number of Seabirds Caught Dead ⁽⁵⁾	#	164	273	481	372
304-2	Marine Mammal Mortality Rate ⁽⁴⁾ ⁽⁵⁾	%	90	92	91	96
304-2	Total Number of Marine Mammals Caught Dead ⁽⁵⁾	#	46	71	93	73
PROTECTING AND ENHANCING THE ENVIRONMENT						
306-3	Number of Notifiable Spills ⁽⁶⁾	#	2	4	2	Not reported
306-3	Total Volume of Notifiable Spills	litres	10	49	152	Not reported
302-1	Total Liquid Fossil Fuel Consumed	litres	20,990,624	22,927,395	22,590,717	19,057,553
302-1	Total Vessel Liquid Fossil Fuel Consumed ⁽⁷⁾	litres	20,008,311	22,084,583	21,657,270	Not reported
302-3	Wildcatch Vessel Fuel Efficiency ⁽⁸⁾	L/GWkg	0.373	0.371	0.344	0.354
302-3	Aquaculture Vessel Fuel Efficiency ⁽⁹⁾	L/GWkg	0.044	0.055	0.040	Not reported
302-1	Electricity Consumed	kWh	23,356,676	24,164,871	25,408,460	25,164,394
302-3	Electricity Efficiency by Production ⁽¹⁰⁾	kWh/GWkg	0.381	0.336	0.306	0.301
302-3	Electricity Efficiency by Total Sales by Site ⁽¹¹⁾	kWh/\$	0.082	0.087	0.090	0.087
302-1	Coal Consumed ⁽¹²⁾	kg	0.000	234,300	381,100	484,060
302-1	Wood Chip Consumed ⁽¹²⁾	kg	576,712	332,832	19,200	Not reported
302-1	Lube Oil Consumed	litres	128,294	162,924	158,760	145,109
302-1	Biodegradable Lube Oil Consumed	litres	5,398	8,180	12,508	Not reported
302-1	Natural Gas Consumed	kWh	2,348,994	2,302,383	2,868,330	2,861,134
N/A	Total Greenhouse Gas Emissions (CO ₂ -e) ⁽¹³⁾	tonnes	73,735	78,144	74,951	71,812
305-1	Direct Emissions (CO ₂ -e) – Scope 1	tonnes	61,414	69,405	66,125	61,413
305-2	Purchased Electricity (CO ₂ -e) – Scope 2	tonnes	2,282	2,876	3,024	3,473
305-3	Indirect Emissions (CO ₂ -e) – Scope 3 ⁽¹⁴⁾	tonnes	10,039	5,863	5,802	6,927
 OUTCOME 2 - CREATING A SAFE AND HIGH PERFORMING WORKPLACE						
102-7	Total Workforce (as at 30 Sept 2019)	#	1,597	1,705	1,717	1,548
102-8	Independent Sharefishers (as at 30 Sept 2019)	#	595	621	583	474
102-13	Union Membership	%	20	19	19	20
404-1	Technical Training Credits Achieved by Females ⁽¹⁵⁾	#	948	647	2,246	2,410
404-1	Technical Training Credits Achieved by Males ⁽¹⁵⁾	#	1,273	3,202	5,238	3,944
401-1	Average Length of Service (permanent staff)	years	7.95	7.48	8.00	7.90
401-1	Average length of service (sharefishers)	years	5.68	5.74	6.44	5.76
401-1	Involuntary Turnover of permanent employees	%	9	5	7.0	6.6
401-1	Voluntary Turnover of permanent employees	%	19	21	16.0	18.0
AGE OF WORKFORCE						
405-1	<20 (annual quarterly average)	#	56	74	64	68
405-1	20 to 29 (annual quarterly average)	#	381	412	361	340
405-1	30 to 39 (annual quarterly average)	#	303	309	274	278
405-1	40 to 49 (annual quarterly average)	#	332	344	353	345
405-1	50 to 59 (annual quarterly average)	#	327	348	328	318
405-1	60+ (annual quarterly average)	#	172	160	147	146

GRI Standard Ref	KPI Metric	Units	2019	2018	2017	2016
AGE OF WORKFORCE (CONTINUED)						
N/A	DOB Not Stated (annual quarterly average)	#	39	53	51	63
405-1	Average Age of Employees on Land	years	44	42	43	42
405-1	Average Age of Employees at Sea	years	36	33	34	33
AGE OF NEW HIRES (PERMANENT, LAND BASED STAFF ONLY)						
401-1	<20 (annual quarterly average)	%	6	16	13	7
401-1	20 to 29 (annual quarterly average)	%	40	30	36	34
401-1	30 to 39 (annual quarterly average)	%	16	16	12	19
401-1	40 to 49 (annual quarterly average)	%	23	20	22	21
401-1	50 to 59 (annual quarterly average)	%	11	17	13	17
401-1	60+ (annual quarterly average)	%	4	2	4	2
WOMEN IN THE WORKFORCE						
405-1	Directors	%	17	17	17	17
405-1	Executive (annual quarterly average)	%	40	22	13	16
405-1	Senior Leadership Team (annual quarterly average) ⁽¹⁶⁾	%	37	27	26	27
ETHNICITY %						
405-1	New Zealand European (annual quarterly average)	%	44	46	47	52
405-1	Pasifika (annual quarterly average)	%	10	11	13	12
405-1	Maori (annual quarterly average)	%	23	22	24	22
405-1	Asian (annual quarterly average)	%	4	4	3	3
405-1	European (annual quarterly average)	%	3	3	2	2
405-1	Other (annual quarterly average)	%	4	4	5	7
405-1	Not stated (annual quarterly average)	%	12	10	10	3
EMPLOYEE BENEFITS						
401-2	Health Insurance Plan	members	157	179	178	172
401-2	Health Insurance Plan Membership	%	16	16	16	Not reported
201-3	Employees in Super Scheme Only	members	98	112	115	125
201-3	Super Scheme Membership (excludes Sharefishers)	%	24	10	10	25
201-3	Employees in Kiwi Saver Only	members	645	660	586	456
201-3	Kiwi Saver Membership (excludes Sharefishers)	%	78	60	53.0	42.5
201-3	Employees in Both Schemes	members	150	155	144	147
HEALTH AND SAFETY						
403-2	Absenteeism Rate	%	6	4	5	4
NZ/ACC	Number of Near Misses Reported	#	515	376	324	289
403-2	Number of Reported Injuries	#	967	970	1032	1300
NZ/ACC	Number of Notifiable Events ⁽¹⁷⁾	#	17	5	10	6
403-2	Number of Lost Time Injuries ⁽¹⁸⁾	#	64	52	55	53
403-2	Lost Time Injury Frequency Rate (LTIFR) ⁽¹⁸⁾	#/mhrs	17.75	13.89	14.67	14.69
403-2	Total Reportable Injury Frequency Rate (TRIFR) ⁽¹⁹⁾	#/mhrs	276			Not reported
NZ/ACC	Number of Accepted ACC Claims ⁽²⁰⁾	#	96	118	134	141
NZ/ACC	Number of Accepted ACC Claims per Employee	#	0.01	0.11	0.12	0.14
NZ/ACC	Average Cost per Claim (including outstanding estimates)	\$	2,685	1,157	1,525	3,439
403-2	Total Number of Days Off Work ⁽²¹⁾	#	693	230	386	846
419-1	Safety-related Prosecutions ⁽²²⁾	#	0	1	0	1
OUTCOME 3 – LEADING THE WAY TO HEALTHY FOOD AND MARINE EXTRACTS						
416-1	Number of Food Safety Recalls	#	0	0	0	0
416-1	Total number of food quality complaints received	#	162	133	101	n/a
416-1	Total % of food quality complaints received that are justified	%	62	56	60	n/a


OUTCOME 3 – LEADING THE WAY TO HEALTHY FOOD AND MARINE EXTRACTS

GRI Standard Ref	KPI Metric	Units	2019	2018	2017	2016
OUTCOME 4 – SUPPORTING STRONG COMMUNITIES AND PARTNERSHIPS						
201-1	Total Community and Charitable Investments – Sponsorships and Donations	\$000s	365	245	218	307
OUTCOME 5 – DELIVERING CONSUMERS' EXPECTATIONS						
N/A	Social media followers across Sanford brands ⁽²³⁾	#	41,091			Not reported
N/A	Average daily AFM visitors ⁽²⁴⁾	#	669			Not reported
N/A	Number of customers	Account	750+	700+	700+	Not reported
OUTCOME 6 – BUILDING A SUSTAINABLE SEAFOOD BUSINESS						
ECONOMIC PERFORMANCE						
201-1	Revenue	\$m	545.1	515.0	477.9	463.5
201-1	Profit Attributable to Shareholders	\$m	41.7	42.3	37.5	34.7
102-7	Total Assets	\$m	821.2	809.4	820.0	797.8
102-7	Total Equity	\$m	588.2	581.9	575.8	558.1
201-1	Return on Average Equity	%	7.1	7.3	6.6	6.5
201-1	Dividend per Share	cents	23.0	23.0	23.0	23.0
201-1	Earnings per Share	cents	44.6	45.2	40.1	37.1
201-1	Wages and Salaries ⁽²⁵⁾	\$m	120.0	115.2	114	105
201-1	Payments to New Zealand Income Tax	\$m	14.2	9.0	13.4	12.5
204-1	Payments to Domestic Suppliers	\$m	370.0	314.1	283.0	246.4
OPERATIONAL CAPABILITY AND CAPACITY						
102-7	Number of Vessels ⁽²⁶⁾	#	37	43	49	50
102-7	Number of Aquaculture Farms ⁽²⁷⁾	#	219	219	211	210
N/A	Number of External Compliance Audits ⁽²⁸⁾	#	64	92	85	70
GLOBAL PRESENCE						
102-7	Total Sales Domestic	%	43.9	42.9	35.4	33.7
102-7	Total Sales Export	%	56.1	57.1	64.6	66.3
N/A	USD Exchange Rate Comparison (average rate)	NZD/USD	0.66	0.70	0.71	0.69

1 Total Wildcatch has been adjusted to reflect total catch landed including Sanford and third party fleets landing to Sanford facilities. Includes Deepwater, Inshore, and fishing partner vessel wildcatch.

2 GWT – Greenweight, weight of seafood before processing, measured in tonnes.

3 MSC certified fishery- globally recognised standard for a sustainable fishery.

4 Mortality Rate is the ratio between total species caught and species caught dead, data is supplied by MPI.

5 Data relates to period from July 2018 – June 2019 due to data available at the time of report production. 2017 and 2018 figures restated for July – June data, 2016 data refers to full financial year 2016.

6 Notifiable spills (significant as defined by GRI) are discharges into the environment that, if uncontained, are notifiable to a regulatory authority. Includes any discharge of fuel or oil regardless of the amount.

7 Fuel used on all vessels.

8 Fuel used/GWkg landed. Calculation relates to wildcatch vessel fuel consumption specifically (rather than total fuel consumption). Greenweight measured in kg.

9 Fuel used on mussel and salmon farming vessels per greenweight kg harvested. 2017 figure restated due to inclusion of additional data now available.

10 Land based processing sites only.

11 Land based processing sites only per total sales by site.

12 In 2018 Timaru fishmeal plant boiler transitioned from coal to wood chip.

13 All six Kyoto gases are included in the calculation as appropriate. Emission factors are based on the most recent Ministry for the Environment guidelines.

14 Indirect Emissions reporting scope increased in 2016 to capture emissions calculations from sea freight.

15 Technical training is provided by Primary ITO. Report training credits as a proxy for hours – one credit equates to approximately 10 hours of learning.

16 Senior Leadership Team includes Executive Team and their Direct Reports.

17 Number of notifiable events (formally serious harm injuries) includes near misses, injuries, illnesses, and incidents (defined under Health and Safety at Work Act 2015).

18 Lost time injuries and frequency rate relates to all workforce injuries resulting in lost time per 1,000,000 hours worked. Includes employees, independent sharefishers, and contractors.

19 Total Recordable injury frequency rate relates to recorded incidents X 1,000,000 per number of hours worked. Includes employees, independent sharefishers, and contractors.

20 ACC claims relates to Sanford employees only (excludes sharefishers and contractors). ACC claims are continuously updated throughout the year.

21 Figures relate to ACC cases (excludes contractors and independent sharefishers).

22 Safety related prosecution in 2018 relates to NIML, a business which Sanford has a 50% joint venture interest.

23 Sanford brands include: Auckland Fish Market, Sea to Me, Freshcatch, Big Glory Bay, Sanford and Sons, Sanford.

24 This measure has been tracked from December 2018.

25 Wages and Salaries (including Super) data includes all subsidiaries at 100% (companies we own more than 50% shareholding in), 50% of NIML, excludes Perna, and San Won, which are associates and not 100% consolidated into our Group accounts.

26 Excludes barges, includes MTOP certified vessels and negotiable non-operational registered vessels.






























27 Aquaculture farm is defined as having a resource consent regardless of the size of the farmed area for that consent or # and length of lines.










28 Numbers restated to remove internal ACC audits. Compliance audits include external food safety, quality, health and safety, environmental and maritime; this does not include internal audits carried out by third parties on behalf of Sanford.


External experts assist us to identify key risks each year, as part of ongoing strategy development and implementation. Risk reporting and response plans are reported to the appropriate Board committee for the top ten risks.

The top ten risks informed the materiality process to ensure that Sanford’s material issues reflect not only external stakeholder concerns, but also business risk. As discussed in our Materiality Matrix review on pages 22 and 23, the Materiality Matrix and the Enterprise Risk process will often throw up the same issues but rank these differently. The two processes are not the same, and external stakeholders, whose views predominate in the Materiality Matrix process, are not as close to the immediate issues experienced at the frontline of the business as Sanford Management and the Board. Also they are less inclined to consider longer term horizon issues. These risks are addressed in the Chair and CEO Review and throughout the performance chapters in this Report, structured to reflect the six outcomes of the Business Excellence Framework, as identified in the table below.

Risk mapping was based on a risk criteria model which resulted in the following ranking of inherent risks:

PRIORITY	ORGANISATIONAL RISK	RISK STATEMENT	IMPACT ON OUTCOME	KEY MITIGATION STRATEGIES
1. 	Climate changes causing short or long-term impacts	Climate changes e.g water temperature changes, severe weather, algal blooms, or disease negatively impacts on ocean conditions and seafood stocks	  	<ul style="list-style-type: none"> Innovation pipeline ISO4001:2015 environmental management system accreditation Monitoring of environmental conditions and changes in order to become aware of any factors that could impact harvest/ catch performances and take appropriate mitigating actions accordingly Current diversity of geography and species mix
2. 	Regulatory risk	Legal, regulatory and environmental obligations are not met resulting in fines or loss of license	 	<ul style="list-style-type: none"> Reporting and reconciliations on catch Observers on board our vessels (e.g. MPI) Governance procedures to communicate any known breaches Support for cameras and investigation into camera’s on board all vessels
3. 	Health and Safety	Health and safety incident causing serious injury and/or fatality to an employee, contractor and/or member of the public	 	<ul style="list-style-type: none"> Health and Safety (H&S) Policy, Incident Reporting Policy, H&S Procedures Manual, Hazard Registers and various work permit systems H&S Committees, GM Health and Safety, H&S audits, H&S Performance reporting, annual reviews of H&S policy and procedures H&S plan in place and approved by the Board (reporting is clearly identified, achievement is linked to performance bonuses, and includes guideline on incident and near miss reporting) Staff training lead by experienced site dedicated safety managers
4. 	Technology (cf Operational excellence in Materiality Matrix)	Under investment in operational technology impacting ability to maintain compliance, operate efficiency and decision making process	  	<ul style="list-style-type: none"> Sancore will resolve some of the residual issues Disaster recovery plans (IT) Cybersecurity policy and monitoring mechanisms Investment in new technology
5. 	Key person retention (cf Making Sanford a world class employer in Materiality Matrix)	Inability to retain or adequately plan for the departure of key employees	   	<ul style="list-style-type: none"> Succession planning Talent mapping Role mapping and identification of back ups
6. 	Fleet management (cf Operational excellence in Materiality Matrix)	Lack of investment/ management of fleet impacting on efficiency of operations e.g. configuration does not support growth opportunities, aging assets leads to loss of fishing days	   	<ul style="list-style-type: none"> \$3M invested in upgrades of inshore fleet \$15M invested in rejuvenation of deep water fleet Vessel management and maintenance plan
7. 	Workforce / people (cf Making Sanford a world class employer in Materiality Matrix)	Inability to attract, retain and train staff to support a labour force (factories and vessel crew) that will drive innovation and support growth	   	<ul style="list-style-type: none"> New people processes and policies to the workplace Increased wages for fishing and processing workforce HR forums for all factories Engagement survey resulting in action Increased focus on training

PRIORITY	ORGANISATIONAL RISK	RISK STATEMENT	IMPACT ON OUTCOME	KEY MITIGATION STRATEGIES
8. 	Biosecurity issues	A biosecurity event negatively impacts harvests/stock levels	  	<ul style="list-style-type: none"> Diversity of where farms are placed, except for salmon and wild bluff oysters, which are not distributed geographically Monitoring of water conditions and changes to catch and harvest to predict any changes, and to determine best catch and harvest times MPI has rigorous systems in place that assist fishers/ farmers with harvest planning if a biosecurity event were to eventuate. Sanford work alongside MPI to ensure compliance within the regulatory framework
9. 	Strategy execution (cf Maximising \$/kg of seafood in Materiality Matrix)	Inability to execute against the strategy		<ul style="list-style-type: none"> Reporting against strategic metrics Board reporting
10. 	Sancore (cf Operational excellence in Materiality Matrix)	Sancore does not deliver a change in the way Sanford works – underpinned by lack of execution capability	 	<ul style="list-style-type: none"> Working with and communicating to the Board on what Sancore is and is not Development of a comprehensive business case and project plan

 Risks that were also identified as material issues in 2019 (refer *Reporting what matters*, page 22)

Note priorities 5, 9 and 10 are included within the operational excellence materiality category noted in the matrix on page 23.

INDUSTRY MEMBERSHIPS

We actively monitor legislative and regulatory change directly and via key industry and sustainability bodies of which we are a member. Our principal memberships and the key roles that Sanford representatives contribute to are set out below:

ORGANISATION	FUNCTION	OUR ROLE
Aquaculture New Zealand www.aquaculture.org.nz	Industry body for aquaculture sector, focused on representing the current industry, while enhancing profitability and providing leadership to facilitate transformational growth	<ul style="list-style-type: none"> • Board member • Active industry member • Industry stakeholder group
Deepwater Group www.deepwatergroup.org	Industry body focused on the management of deepwater fisheries resources, within a long-term sustainable framework	<ul style="list-style-type: none"> • Directors • Active industry member • Industry stakeholder group
Fisheries Inshore www.inshore.co.nz	Commercial fisheries stakeholder organisation that represents collective interests as an inshore quota owner, Annual Catch Entitlement (ACE) holder and commercial fisher	<ul style="list-style-type: none"> • Directors • Active industry member • Industry stakeholder group
Global Seafood Communicators Group	International industry body bringing together communications leaders from peak bodies and some individual seafood companies around the globe	<ul style="list-style-type: none"> • Member
Groundfish Forum www.groundfishforum.com	Meeting place for leading members of the global groundfish industry to increase understanding about global supply and consumption trends and developments for groundfish products	<ul style="list-style-type: none"> • Executive committee member • Forum members
Seafood New Zealand www.seafoodnewzealand.org.nz	Industry peak body for the New Zealand seafood sector, with a strategy to support the Government’s growth objective to double seafood export revenue by 2025	<ul style="list-style-type: none"> • Directors • Active industry member
Southern Seabird Solutions Trust www.southernseabirds.org	Group focused on the protection of seabirds, with initiatives across 24 target species (from black petrel to Yellow-eyed penguins)	<ul style="list-style-type: none"> • Trustee • Management board member
Sustainable Business Council (SBC) www.sbc.org.nz	Executive-led advocacy body for sustainable business in New Zealand	<ul style="list-style-type: none"> • Advisory board member • Active member
Sustainable Seas www.sustainableseaschallenge.co.nz	Ecosystem-based management group set up to enhance and protect our marine resources	<ul style="list-style-type: none"> • Board member
Trident Systems www.tridentsystems.co.nz	Organisation undertaking fisheries science, monitoring and catch sampling	<ul style="list-style-type: none"> • Directors • Shareholder
World Ocean Council www.oceancouncil.org	Industry leadership alliance on ‘Corporate Ocean Responsibility’	<ul style="list-style-type: none"> • Member

STAKEHOLDER GROUPS AND THEIR ROLES

OUR STAKEHOLDERS	ROLE	OUR STAKEHOLDERS	ROLE
 Our People	Our 1,597 employees, including 595 sharefishers, are the foundation of our business and our most valuable asset. Through their commitment to living our values of care, passion and integrity, our people ensure that we continue to produce, deliver and succeed.	 Customers and Consumers	Sustain our business, provide the basis for continued growth, product development and innovation.
 Shareholders and Investors	As at 18 October 2019, 2,471 shareholders provide the financial capital and stability required to sustain, grow and diversify our business.	 Communities, Scientific partners, NGOs	External partners help us to gain a deeper understanding of social and environmental issues. They also can unlock new opportunities, understand industry best practice, scientific research and development and alert us to potential challenges which may need to be addressed.
 Government and Regulators	These stakeholders provide our formal licence to operate, including policy and regulatory frameworks which define what, how, where and when we can perform our activities.	 Civil Society including recreational fishers	The views and needs of civil society and recreational fishers assist us to stay in-step with society, and hence ensure our social licence to operate. We share some fishing space with recreational fishers and it is important to us that we collaborate with other users of the ocean.
 Industry and business associations	As a company committed to its own vision as well as a vision for a sustainable future for New Zealand and the world, we are members of a number of organisations (refer above). They help us leverage our impact and, in partnership, collectively find ways of achieving a more sustainable future.	 Iwi	Partnership with Iwi represent a critical relationship for us. As guardians of the land and ocean that we operate on/in, we are pleased to work together to ensure good outcomes for all. For example, we work closely with Ngāpuhi and Ngāi Tahu.
 Suppliers	Share valued expertise, support and deliver products and services that strengthen our business and facilitate development and growth.	 Youth	The views and needs of the future generation of Sanford employees, customers and consumers assists us to ensure their perspectives are built into our long-term business strategy.

This table lays out some of the projects and initiatives underway at Sanford in 2019 which contributed to the eight key Sustainable Development Goals (SDG's) which Sanford can contribute most towards. As a company committed to value creation for all stakeholders, it is critical that we use this international SDG framework to guide us in our strategy, goals and initiatives.

CASE STUDY	SANFORD CONTRIBUTION THROUGH PERFORMANCE OUTCOMES	SUSTAINABLE DEVELOPMENT GOAL							
		3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY INNOVATION AND INFRASTRUCTURE	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	17 PARTNERSHIPS FOR THE GOALS
Collaborating for Maui – page 31			✓						✓
Athletic Achievers – page 32						✓	✓	✓	✓
Driving Sustainable Fishing – page 34						✓	✓	✓	✓
Just Culture at Sanford – page 42		✓		✓					✓
Engaging our People – page 44				✓					✓
Talking about Together – page 45			✓	✓					✓
The Introduction of Toolbox Toolkits – page 46		✓	✓	✓					✓
Seeking Value from Innovation and Branding – page 52		✓				✓			✓
Marine Extracts for All – page 54					✓	✓			✓
End-to-End Investments to Drive Quality – page 56					✓			✓	✓
Consent to Grow – page 62				✓	✓	✓			✓
Community Commitment – page 63			✓	✓					✓
Together with Graeme Dingle – page 64			✓	✓					✓
Transparency Together – page 65					✓	✓			✓
Catch to Cook – page 70		✓	✓			✓			✓
Salmon in the States – page 72		✓		✓		✓			✓
Going to Market – page 73			✓		✓	✓			✓
Hoki Cascade Evolution – page 79				✓		✓			✓
Managing Algal Blooms – page 81					✓			✓	✓
Footprint changes for our North Island Operations – page 82				✓	✓				✓
Footprint changes in the South – page 83				✓	✓				✓

This Report has been developed in accordance with the International Integrated Reporting Council (IIRC) Integrated Report <IR> Framework. The Report has been prepared in accordance with the GRI Sustainability Reporting Standards (GRI) 2016, and were applied to a core level of compliance. Further references to GRI indicators are provided in **Appendix A** (Key Performance Indicators).

DISCLOSURES	DESCRIPTION	SECTION DESCRIPTION AND PAGE NUMBER
GRI 102: GENERAL DISCLOSURES 2016		
STRATEGY AND ANALYSIS		
102-14	Chairman, CEO statement	Together, pages 06–11
ORGANISATIONAL PROFILE		
102-1	Name	Sanford Limited
102-2	Operations	Aquaculture, fishing, fish processing, nutraceuticals, retail; refer Sanford and Our Operations, pages 14–21
102-3	Head Office	22 Jellicoe Street, Auckland, New Zealand
102-4	Locations	Sanford and Our Operations, pages 16-17
102-5	Legal form	NZX listed New Zealand limited liability company
102-6	Markets and customers	Sanford and Our Operations, pages 14–21; Delivering Consumers’ Expectations pages 67-74
102-7	Scale of operation	Sanford and Our Operations, pages 14–21; Ensuring Healthy Oceans and Protecting the Environment, page 36; Building a Sustainable Seafood Business, pages 75-85
102-8	Workforce	Sanford and Our Operations, pages 14–21; Creating a Safe and High Performing Workplace, pages 39-48; Key Performance Indicators, pages 146-148
102-41	Collective agreements	Key Performance Indicators, pages 146-148
102-9	Supply chain	How We Create Value, page 18; Healthy food and marine extracts (supply chain), pages 51 and 58; Hoki Cascade Evolution, pages 79-80
102-10	Business changes	CFO Review, pages 12-13; Financial statements, pages 96-137
102-11	Precautionary principle	Corporate governance, page 86; Ensuring Healthy Oceans and Protecting the Environment, pages 27-38
102-12	Charters	Ensuring Healthy Oceans and Protecting the Environment, pages 27-38
102-13	Memberships	Appendix C – Industry memberships, page 151
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
102-45	Organisation	Report Structure, pages 14-15; Financial statements – group entities, pages 135-136
102-46	Report content	Report Structure, pages 14-15
102-47	Material issues	Reporting what matters, pages 22-26
103-1	Scope – Boundary inside	Material issues cover all Sanford entities unless otherwise stated, page 15
103-1	Scope – Boundary outside	Report Structure, pages 14-15; Sanford and our Operations – How we create value, pages 18-19
102-48	Restatements	Financial statements, pages 96-137
102-49	Changes	Reporting what matters, pages 22-26; CFO Review, pages 12-13
STAKEHOLDER ENGAGEMENT		
102-40	Stakeholders - Groups	Reporting what matters, pages 22-25; Appendix C, page 151
102-42	Stakeholders – Basis	Reporting what matters – Engaging with our stakeholders, page 22; Appendix C, page 151
102-43	Stakeholders – Approach	Reporting what matters – Engaging with our stakeholders, page 22
102-44	Stakeholders – Key Topics	Reporting what matters – Engaging with our stakeholders, pages 22-26
REPORT PROFILE		
102-50	Report period	1 October 2018 to 30 September 2019
102-51	Last report	Sanford Annual Report 2018
102-52	Reporting cycle	Annual
102-53	Contact	Contact info@sanford.co.nz for queries, or to provide feedback
102-54	GRI compliance	GRI Standard 2016; Core
102-55	GRI content index	Heading in this Index
102-56	Assurance	Combined (financial and non-financial), pages 138-143
GOVERNANCE		
102-18	Governance	Corporate governance, pages 86-92; Corporate governance statement 2019: www.sanford.co.nz/investors/governance
ETHICS AND INTEGRITY		
102-17	Ethics and values	Sanford and Our Operations – How we create value, pages 18-19; Corporate governance, pages 86-92; Corporate governance statement 2019: www.sanford.co.nz/investors/governance

MATERIAL TOPICS AND RELATED INDICATORS

Including GRI 100, GRI 200 2016, GRI 300; 2016

DMA AND INDICATORS	DESCRIPTION	REPORT SECTION TITLE	SECTION DESCRIPTION AND PAGE NUMBER
CATEGORY: ECONOMIC			
ASPECT: ECONOMIC PERFORMANCE (M: SHAREHOLDER VALUE AND RISK)			
103-1	Approach	Sustainable Seafood Business Ensuring Healthy Oceans and Protecting the Environment	Sanford and our Operations, pages 20-21; CFO Review, pages 12-13; Corporate governance, pages 86-92; Innovation, Athletic Achievers, pages 32-33, Toolbox Toolkits, page 46, Seeking Value, pages 52-55
201-1	Economic value	Supporting Strong Communities and Partnerships	CFO Review, pages 12-13; Athletic Achievers, pages 32-33; Seeking Value, pages 52-55; Financial statements, pages 96-137
201-4	Government assistance		Athletic Achievers, pages 32-33; Transparency Together, page 65
CATEGORY: ENVIRONMENTAL			
ASPECT: ENERGY (M: RESOURCE UTILISATION AND EFFICIENCY)			
103-1	Approach	Ensuring Healthy Oceans and Protecting the Environment	Highs and Lows, pages 20-21; Driving Sustainable Fishing, pages 34-35 ; Consent to Grow, pages 62-63
302-1	Energy	Sanford and Our Operations	Highs and Lows, pages 20-21; KPIs pages 29-30
302-3,4	Reduction of energy		Highs and Lows, pages 20-21; KPIs pages 29-30 ; Appendix A, pages 146-148
ASPECT: BIODIVERSITY (M: SUSTAINABLE FISH STOCKS AND MARINE FARMS)			
103-1	Approach	Ensuring Healthy Oceans and Protecting the Environment	Collaborating for Maui, pages 31-32; Driving Sustainable Fishing, pages 34-35;
304-2	Impact	Protecting the Environment	Collaborating for Maui, pages 31-32; Driving Sustainable Fishing, pages 34-35; Appendix A, pages 146-148
ASPECT: EMISSIONS (M: CARBON REDUCTION AND OFFSETTING)			
103-1	Approach	Sanford and Our Operations	Highs and Lows, pages 20-21; KPIs, Appendix A, page 146-148
305-1	GHG (Scope 1)		Highs and Lows, pages 20-21; KPIs, Appendix A, page 146-148
305-2	GHG (Scope 2)		Highs and Lows, pages 20-21; KPIs, Appendix A, page 146-148
305-3	GHG (Scope 3)		Highs and Lows, pages 20-21; KPIs, Appendix A, page 146-148
ASPECT: EFFLUENTS AND WASTE (M: SUSTAINABLE FISH STOCKS AND MARINE FARMS)			
103-1	Approach	Ensuring Healthy Oceans and Protecting the Environment Supporting Strong Communities and Partnerships	KPIs pages 29-30; Consent to Grow, pages 62-63; Appendix A, page 146-148
306-3	Spills	Ensuring Healthy Oceans and Protecting the Environment	Appendix A, page 146-148
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK			
ASPECT: EMPLOYMENT (M: DEVELOPING OUR PEOPLE)			
103-1	Approach	Creating a Safe and High Performing Workplace Supporting Strong Communities and Partnerships	KPIs page 41; Just Culture and Sanford, pages 42-43; Engaging Our People, page 44; Talking about Together, page 45; The Introduction of Toolbox Toolkits, page 46; Together with Graeme Dingle, page 64
401-1	Hires and turnover		KPIs page 41; Staff Movements, page 46; Footprint Changes, pages 82-83; Appendix A, page 146-148
ASPECT: OCCUPATIONAL HEALTH AND SAFETY (M: SAFETY, HEALTH AND WELLBEING)			
103-1	Approach	Creating a Safe and High Performing Workplace	Safety, health and wellbeing, pages 20, 23, 41, 42-48
403-9	Injury Statistics	Sanford and Our Operations	Safety, health and wellbeing, page 43; KPIs, Appendix A, page 146-148
ASPECT: TRAINING AND EDUCATION (M: DEVELOPING OUR PEOPLE)			
103-1	Approach	Creating a Safe and High Performing Workplace	Developing our people KPIs, page 41; Just Culture at Sanford, pages 42-43; Talking About Together, page 45; The Introduction of Toolbox Toolkits, page 46
404-1	Training		Just Culture at Sanford, pages 42-43; Talking About Together, page 45; The Introduction of Toolbox Toolkits, page 46; Appendix A, pages 146-148

DMA AND INDICATORS	DESCRIPTION	REPORT SECTION TITLE	SECTION DESCRIPTION AND PAGE NUMBER
SUB-CATEGORY: SOCIETY			
ASPECT: LOCAL COMMUNITIES (M: ENGAGEMENT AND EMPLOYMENT)			
103-1	Approach	Reporting What Matters Supporting Strong Communities and Partnerships	Reporting What Matters, pages 22-26; Collaborating for Maui, pages 31-32; KPIs page 61, Consent to Grow, page 62; Community Commitment page 63; Together with Graeme Dingle, page 64; Footprint Changes, pages 82-83
413-1	Programmes		Consent to Grow, page 62; Community Commitment page 63; Together with Graeme Dingle, page 64; Appendix A, pages 146-148
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
ASPECT: CUSTOMER HEALTH AND SAFETY (M: FOOD SAFETY AND QUALITY)			
103-1	Approach	Healthy Food and Marine Extracts	KPIs, page 51; Investment for Quality, page 55; End-to-End Investments Drive Quality, pages 56-57
416-2	Non-compliance		Highs and Lows, pages 20-21; Appendix A, pages 146-148
G4-FP5 ¹	Third party certification	Sustainable Seafood Business	Highs and Lows, pages 20-21; Audits, page 81; Accreditations, page 159; Appendix A, pages 146-148
G4-FP13 ¹	Non-compliance		Compliance KPIs, page 51 ; Quality Complaints Breakdown, page 57; Appendix A, pages 146-148
ASPECT: PRODUCT AND SERVICE LABELLING (M: CUSTOMER RELATIONSHIPS AND TRACEABILITY)			
103-1	Approach	Healthy food and marine extracts Delivering Consumers' Expectations	Seeking Value from Innovation and Branding, pages 52-53; KPIs page 69; Catch to Cook, pages 70-71; Our Salmon in the States, page 72; Going to Market, page 73; Hoki Cascade Evolution, pages 79-80
417-1, 304-3	Information required	Ensuring Healthy Oceans and Protecting the Environment	KPIs page 29; MSC Certified Catch, page 35; Seeking Value from Innovation and Branding, pages 52-53 Accreditations, page 157; Appendix A, pages 146-148
G4-PR5	Customer satisfaction		Customer survey feedback, page 57; Delivering Consumers' Expectations, pages 67-74

1. Aspects and indicators sourced from GRI Disclosure for Food Processing, 2014

APPENDIX F – ABBREVIATIONS

ABBREVIATION	DESCRIPTION
ACC	Accident Compensation Corporation
ACE	Annual Catch Entitlement
AFM	Auckland Fish Market
ARA	Australasian Reporting Awards
AU	Australia
AUT	Auckland University of Technology
BAP	Best Aquaculture Practices
BGB	Big Glory Bay
BMTs	Business Management Teams
BPAs	Benthic Protection Areas
BTT	Business Transformation Team
CCAMLR	Convention for the Conservation of Antarctic Marine Living Resources
CCO	Chief Customer Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COLTO	Coalition of Legal Toothfish Operators
COO	Chief Operating Officer
CPO	Chief People Officer
DIFOT	Delivery in Full on Time
DOC	Department of Conservation
DWG	Deepwater Group
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EECA	Energy Efficiency and Conservation Authority
EEZ	Exclusive Economic Zone
EMS	Environmental Management System
ER	Electronic Reporting
ESG	Environmental, Social and Governance Indicators
EU	European Union
FMA	Fisheries Management Area
FNZ	Fisheries New Zealand
FSQ	Food Safety and Quality
FSSC	Food Safety System Certification 22000
FY	Financial Year
GDF	Graeme Dingle Foundation
GM	General Manager
GRI	Global Reporting Initiative
GSM	Greenshell™ Mussel Powder
GWKg	Greenweight Kilogram
GWT	Greenweight Tonne
HVN	High Value Nutrition
HSE NZ	Health Safety Environment New Zealand
IIRC	International Integrated Reporting Council
ISO	International Organisation for Standardisation

ABBREVIATION	DESCRIPTION
IT	Information Technology
Kg	Kilogram
KPI	Key Performance Indicator
LTIFR	Lost Time Injury Frequency Rate
LTIs	Lost Time Injuries
MARPOL	The International Convention for the Prevention of Pollution from Ships
MFA	Marine Farming Association
MFAT	Ministry of Foreign Affairs and Trade
MHS	Modular Harvesting System
MOSS	Maritime Operator Safety System
MPAs	Marine Protected Areas
MPI	Ministry for Primary Industries
MSC	Marine Stewardship Council
NEBIT	Normalised Earnings Before Interest and Tax
NGOs	Non-Governmental Organisations
NIML	North Island Mussels Limited
NIRS	Near-Infrared Spectroscopy
NPAT	Net Profit After Tax
NPOA	National Plan of Action
NZHSE	New Zealand Health and Safety in Employment
NZQA	New Zealand Qualifications Authority
NZX	NZ Stock Exchange
OECD	Organisation for Economic Co-operation and Development
P&L	Profit and Loss
PGP	Primary Growth Partnership
PITO	Primary Industry Training Organisation
PNZ	Paralympics New Zealand
PPE	Personal Protective Equipment
PSH	Precision Seafood Harvesting
QMS	Quota Management System
RMP	Risk Management Programme
SANSCORE	Project name for Sanford's information system replacement and related process change project
S&OP	Sales and Operational Planning
SDGs	Sustainable Development Goals
SINs	System Improvement Notices
SMS	Safety Management System
SPAT _{NZ}	Shellfish Production and Technology New Zealand Ltd.
TAC	Total Allowable Catch
TACC	Total Allowable Commercial Catch
TMP	Threat Management Plan
TRIFR	Total Recordable Injury Frequency Rate
UN	United Nations
USA	United States of America
WWF	World Wildlife Fund

BOARD OF DIRECTORS

Paul Norling, Chairman
Sir Robert McLeod, Deputy Chairman
Peter Cullinane
Abigail (Abby) Foote
Peter Goodfellow
Peter Kean

EXECUTIVE TEAM

Volker Kuntzsch, Chief Executive Officer
Clement Chia, Chief Operating Officer
Karen Duffy, Chief People Officer
Andre Gargiulo, Chief Customer Officer
Katherine Turner, Chief Financial Officer

REGISTERED OFFICE

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Telephone +64 9 379 4720

Email info@sanford.co.nz

Website www.sanford.co.nz

PRINCIPAL BANKERS

ANZ Bank New Zealand Limited
Bank of New Zealand
Rabobank New Zealand Limited

SOLICITORS

Chapman Tripp
Russell McVeagh

GROUP AUDITORS

KPMG, Auckland

STOCK EXCHANGE

The Company's shares trade on the
New Zealand Stock Exchange (NZX).

NZX Trading Code: SAN

The minimum marketable parcel on the
Exchange is 100 shares (price \$2 to \$5 per
share) or 50 shares (\$5 to \$10 per share)

SHARE REGISTRAR

Computershare Investor Services Limited
Private Bag 92 119
Auckland 1142
New Zealand

159 Hurstmere Road
Takapuna
Auckland 0622
New Zealand

MANAGING YOUR SHAREHOLDING ONLINE

To change your address, update your payment
instructions and to view your investment
portfolio including transactions please visit:

www.investorcentre.com/nz

GENERAL ENQUIRIES

General enquiries can be directed to:
enquiry@computershare.co.nz
Private Bag 92 119
Auckland 1142
New Zealand

Telephone +64 9 488 8777

Please assist our registrar by quoting your
CSN or shareholder number.

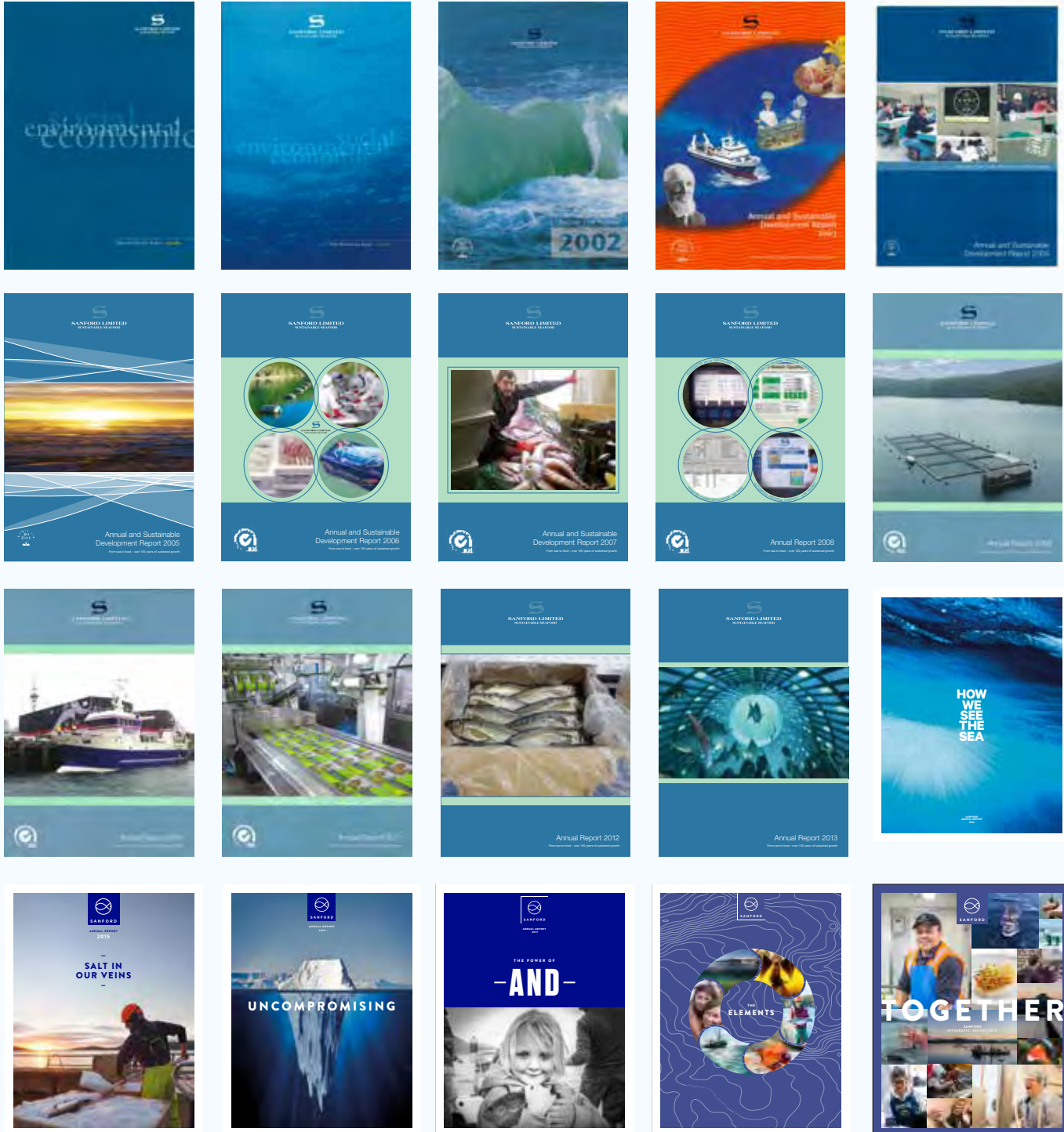
Other queries should be directed to the
General Manager Risk and Corporate Affairs
at the Registered Office.



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Steve Hussey, James Duffy and Damian
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CELEBRATING 20 YEARS OF SUSTAINABILITY REPORTING

Our 2019 Integrated Report marks twenty years since Sanford first introduced triple bottom line reporting, demonstrating a dedication to transparency and to sustainability we have maintained across two decades. In 2018 we were honoured to be recognised with the Report of the Year at the Australasian Reporting Awards (ARA). Congratulations and thanks to the team who compiled that report and to all our staff and sharefishers whose stories have been told over twenty years of reporting what matters.





ACCREDITATIONS

Achieved SanWell Gold Accreditation at Timaru site and Bronze at Tauranga site and Bronze at Bluff site for workplace wellbeing

Certified 36% of Sanford’s total wildcatch by greenweight was Marine Stewardship Council Certified

Achieved Tertiary status in ACC Partnership Programme

Maintained FSSC 22000 Food Safety Management System certification across 100% of all land-based processing sites

Maintained ISO14001:2015 Environmental Management System certification

Maintained Best Aquaculture Practices (BAP) certification of Big Glory Bay King salmon (3 Star rating) & Greenshell™ mussels

Maintained Certified Organic, Big Glory Bay Greenshell™ mussel farms

Maintained Marine Farm Association (MFA) Environmental Certification Marlborough mussel farms

Maintained Aquaculture New Zealand’s A+ New Zealand Sustainable Aquaculture Programme



AWARDS

Report of the Year at the **Australasian Reporting Awards** (ARA). It was also recognised with the 2019 Integrated Reporting Award, The 2019 ARA Sustainability Award

Alpine Energy Sustainability and Environment Award for Timaru Boiler conversion

Kiwinet research commercialisation awards finalist for PWC commercial impact award – SPATnz

MFA Environment Award 2019 – James Higgins for mussel float recycling efforts

Winner of the **Deloitte Top 200 Awards 2018** for Excellence in Governance

ANNUAL MEETING

Friday 13th December 2019

2:00pm

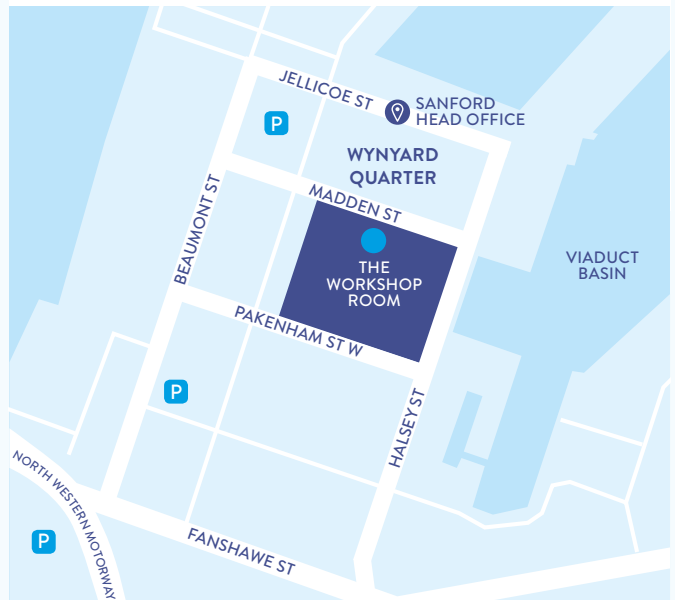
GridAKL
The Workshop Room
Level 1
12 Madden Street
Wynyard Quarter
Auckland 1010

GridAKL is located midway down Madden Street, Wynyard Quarter <https://gridakl.com/how-to-get-here/>.

Wynyard Quarter operates on a 70/30 split due to spatial restrictions, with 70% of people expected to arrive using the available public transport alternatives. With the Ferry Building, Britomart and the CBD less than 2km away, we encourage you to do the same. “Innerlink” Citylink buses are available to connect between trains and buses to the CBD or Britomart, alternatively the Wynyard Bridge may be utilised to reach Madden Street.

If required, car parking is available at the following locations:

- Jellicoe Street Carpark
- 69 Gaunt Street
- Victory Church Carpark, cnr Fanshawe and Beaumont Streets





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